



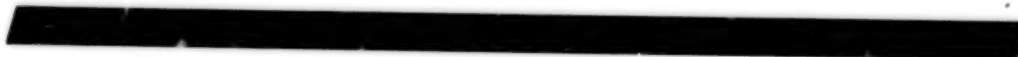
Foreign
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FBIS-USR-94-032

31 March 1994



CENTRAL EURASIA



FBIS Report: Central Eurasia

FBIS-USR-94-032

CONTENTS

31 March 1994

CAUCASUS

ARMENIA

Presidential Edict Details Measures Against Narcotics Trafficking [RESPUBLIKA ARMENIYA 12 Jan]	1
Former Premier on Political Situation [Athens AZAT OR 1 Mar]	2
New Yerevan Daily Reviewed [Paris HARATCH 17 Feb]	4
Anti-Dashnak Organization Reportedly Formed in Baku [Istanbul MARMARA 5 Feb]	5

AZERBAIJAN

Prime Minister Reviews 1993 Economic Statistics [BAKINSKIY RABOCHIY 4 Mar]	5
MVD Warns 'Radical Opposition' on Illegal Arms [BAKINSKIY RABOCHIY 6 Mar]	6
Government Issues Decree on Trade-Economic Agreement With Latvia [BAKINSKIY RABOCHIY 6 Mar]	7
Newspaper Found Innocent in Government Slander Case [OBSSHCHAYA GAZETA 11 Mar]	7
Breakup of Kolkhozes Produces New Inefficiencies [BAKINSKIY RABOCHIY 1 Mar]	7
January Figures Show Continued Industrial Decline [BAKINSKIY RABOCHIY 22 Feb]	9
Solution Sought to Meat Supply 'Crisis' [BAKINSKIY RABOCHIY 22 Feb]	9
Supply, Payment Problems Hamper Asbestos Cement Business [BAKINSKIY RABOCHIY 4 Mar]	10
Information Minister on Plight of Press [BAKINSKIY RABOCHIY 18 Feb]	12
National Security Minister Reviews Situation with Border Troops [BAKINSKIY RABOCHIY 22 Feb]	12

RUSSIA

ECONOMIC AND SOCIAL AFFAIRS

Skepticism Towards Democratic Reforms Growing, Economic Ills Viewed [ROSSIYSKAYA GAZETA 12 Mar]	13
Correlation Between Economic, Political Interests in Country Examined [NEZAVISIMAYA GAZETA 11 Mar]	15
Hearings, Commentary on 'Nonpayments Crisis in Country's Economy' [KOMMERSANT-DAILY 15 Mar]	17
Privatization of State Enterprises on Rise [SEGODNYA 10 Mar]	18
Contradictions in State Privatization Program Cited [EKONOMIKA I ZHIZN No 10, Mar]	18
Implementation of Federal Principles on Budget Protested [ROSSIYSKIYE VESTI 16 Mar]	21
Committee Chairman Views Budget Problems [TRUD 23 Mar]	22
Shumeyko's Proposal to Introduce Economic State of Emergency Criticized [SEGODNYA 17 Mar]	24
Deputy Finance Minister on Measures To Enforce Tax Payment [EKONOMIKA I ZHIZN No 10, Mar]	24
Svyatoslav Fedorov Outlines 'Five Conditions for Economic Stabilization' [TRUD 17 Mar]	25
Russia's Economic Policy Viewed [RABOCHAYA TRIBUNA 11 Mar]	28
Economist Welcomes Greater Government Regulation [NOVOYE VREMYA No 10, Mar]	29
Soskovets Aide on Role of Financial-Industrial Groups [ROSSIYSKAYA GAZETA 17 Mar]	31
Shokhin's Reputation Tarnished [SEGODNYA 17 Mar]	33
DELOVOY MIR Economic Statistics, 16 March [DELOVOY MIR 16 Mar]	34
Department of Taxation Police Director Reviews Agency's Role [ROSSIYSKIYE VESTI 10 Mar]	40
Conflict Between Government, Former UN Employees Over Pension Examined [NEZAVISIMAYA GAZETA 6 Mar]	42

Factors Contributing to Burgeoning Crime Viewed	[SOVETSKAYA ROSSIYA 12 Mar]	43
Violations of Press Law in City Protested	[SMENA 7 Mar]	46
Kurkova Denies Wrongdoing at St. Petersburg TV	[SEGODNYA 10 Mar]	46
More on Scandal Allegations at St. Petersburg TV	[SEGODNYA 17 Mar]	47
Communication Workers' Representative on Strike Prospects	[OBSHCAYA GAZETA 11-17 Mar]	48
Allegations About Communications Agency Hit	[ROSSIYSKAYA GAZETA 23 Mar]	48
Defense Industry Suppliers to Make Gas Pumping Equipment	[RABOCHAYA TRIBUNA 23 Mar]	50
Future of Diamond Industry Viewed	[DELOVOY MIR 11 Mar]	51
Sorry State of Nuclear Power Industry Finances Deplored	[RABOCHAYA TRIBUNA 22 Mar]	53
Aeroflot May Lose Leased Jets Over 50-Percent Import Tariff	[NEZAVISIMAYA GAZETA 22 Mar]	54
Shipyard Activities Reported	[SUDOSTROYENIYE No 10, Oct 93]	55
AutoVAZ Director Outlines Hardships, Plans	[ARGUMENTY I FAKTY No 12, Mar]	59
Plant Director on Decreased Vehicle Prices, Sales Policy	[TRUD 22 Mar]	60
Railway Collegium on 'Nearly Critical' Financial Situation	[GUDOK 15 Mar]	61
South Urals Railroad Chief Critiques Performance	[GUDOK 15 Mar]	63
Railroad Transport Users' Association Created	[GUDOK 16 Mar]	65

ARMENIA

Presidential Edict Details Measures Against Narcotics Trafficking

94WD0254A Yerevan RESPUBLIKA ARMENIYA
in Russian 12 Jan 94 p 2

["Edict of the President of the Armenian Republic 'On Measures To Intensify the Fight Against Drug Addiction and Drug Trafficking'"]

[Text] In order to intensify the fight against drug trafficking and drug addiction in the republic and raise its effectiveness, in order to make the best use of the resources and efforts of bodies and organizations of executive government in this sphere, organize their work, and ensure fulfillment of the republic's international obligations in the fight against drug addiction, I RESOLVE:

1. With the purpose of providing organized support to coordination of the efforts of ministries, state administrations, departments and organizations in the matter of drawing up and implementing programs to fight drug trafficking and drug addiction, to establish a State Interdepartmental Commission under the leadership of Armenian Republic State Minister R. Bagoyan, including within the commission's composition the deputy ministers of foreign affairs, health, higher education and science, and education [prosveshcheniye], the deputy chief of the State National Security Administration, the deputy General Procurator, the deputy chief of the Armenian Republic Customs Administration, the deputy chief of the Administration for Physical Fitness and Sports and for Youth Problems under the Government of the Armenian Republic, and representatives of the public organization "No to Alcoholism and Drug Addiction" and the Armenian Trade Union Confederation.

To instruct the commission to submit the commission's by-laws for approval to the Government of the Armenian Republic within 2 weeks' time.

2. That on the basis of the functional orientation of their work, and imparting extremely important significance to the need for raising the effectiveness of work directed at curbing drug trafficking and drug addiction, the Armenian Republic Ministry of Internal Affairs, the State National Security Administration, the Customs Administration, the ministries of health, higher education and science, and education, and the Administration for Physical Fitness and Sports and for Youth Problems under the Government of the Armenian Republic shall draw up, within a month's time, departmental programs of measures directed at intensifying the fight against these phenomena, and submit them to the interdepartmental commission created in accordance with this Edict with the purpose of creating a republican comprehensive program, coordinating efforts of all interested bodies in the preventive, medical and rehabilitational phases of the struggle, and in carrying out antidrug propaganda and shaping public opinion in this sphere.

3. That the executive committees of local councils of deputies shall:

—form territorial councils for work with juveniles, and do everything possible to provide for their effective work;

—within a month's time, under the direct supervision of the Government of the Armenian Republic, carry out an inventory of buildings, structures, clubs, auditoriums, stages and other areas located within their territory and used in the past for the purposes of creative employment of juveniles, and take steps to place them into immediate use for the indicated purposes;

—implement measures to establish centers of esthetic, cultural, technical, military and physical education for juveniles and young people at their places of residence.

4. That the Ministry of Health of the Armenian Republic shall:

—develop, using statutes of the United Nations International Narcotics Control Committee as its guidelines, the procedure for producing, importing, exporting, storing, accounting for and using narcotics and psychotropic strong-acting and toxic pharmaceuticals;

—create the necessary structures within the ministry in order to intensify supervision over pharmaceuticals produced in the republic and imported into the republic;

—develop, jointly with the Ministry of Internal Affairs and the executive councils of local councils of deputies, and submit to the Government of the Armenian Republic, proposals on organizing the system of trade in pharmaceuticals, and on establishing the strictest possible supervision over the sale of pharmaceuticals containing narcotics;

—establish the strictest possible supervision over the procedure for storage and use of narcotics by medical services and public health institutions;

—create a system for the treatment of drug addiction with guaranteed confidentiality, by forming the corresponding services in the republic's large cities and settlements;

—submit proposals jointly with the Ministry of Internal Affairs on creating a system of compulsory treatment.

5. That the Armenian Republic Ministry of Justice shall draw up, jointly with the Ministry of Internal Affairs, the State National Security Administration and other interested bodies and organizations, and submit within 2 weeks' time, proposals on amending and supplementing

currently effective legislation with the purpose of raising the effectiveness of the fight against drug trafficking and drug addiction.

6. That jointly with the ministries of justice and internal affairs and the State National Security Administration, the Armenian Republic Ministry of Affairs shall draw up and submit, to the Government of the Armenian Republic, proposals on signing treaties and agreements with the purpose of establishing an international legal space.

7. To request the Procuracy of the Armenian Republic to intensify supervision over compulsory treatment and ensure fulfillment of the requirements of currently effective legislation on vocational reeducation of drug addicts.

8. That the Government of the Armenian Republic shall:

- examine problems of creating the necessary conditions and the material and technical possibilities for implementing the measures foreseen by this edict, and making specific allocations in their support;
 - draw up and approve, within a month's time, sample regulations for territorial councils on work with juveniles;
 - examine the matter of creating a republican coordinating council on work with juveniles, and do everything possible to assist its work;
 - examine the matter of creating conditions for extra-curricular [illegible; vocational?] occupation of students—develop and introduce special programs on a system for organizing labor education for students residing in dormitories;
 - implement measures with the purpose of ensuring fulfillment of the republic's international obligations in the sphere of fighting drug trafficking and drug addiction;
 - approve, within 10 days' time, the composition of the republican coordinating council against unlawful international circulation of narcotic and strong-acting psychotropic drugs, and establish the procedure of its activity;
 - inform the National Security Council under the President of the Armenian Republic quarterly on work being carried out in implementation of measures foreseen by this Edict.
9. That this Edict shall become effective from the moment of its publication.

[Signed] President of the Armenian Republic L. Ter-Petrosyan

21 December 1993, Yerevan

Former Premier on Political Situation

944K0916A Athens AZAT OR in Armenian 1 Mar 94
pp 2, 3

[Interview with former prime minister and defense minister Vazgen Manukyan by HAYLUR correspondent Artur Dokholyan; date and place not specified]

[Excerpts] [Passage omitted]

Rule by Triumvirate

[Manukyan] [Interview begins with answer as published] [Former national security adviser to the president] Ashot Manucharyan has always been in the business. Neither his or [Minister of the Interior] Vano Siradeghyan's press conference was unexpected. This is the logical continuation of domestic politics, that is everything that has been done in the country in the last few years.

When Levon Ter Petrosyan became president, a triumvirate—which stood out even within the Karabakh Committee—came to power. The triumvirate is: Levon Ter Petrosyan, [speaker of the parliament] Babgen Ararktsyan and Vano Siradeghyan. It appeared that all the conditions existed to unite the people and to implement a state and national policy, but that did not happen. On the contrary, everything was done to divide the people and to prevent the presence of any independent individuals or forces in the country. Meanwhile a wave of gossips spread, and mutual accusations, justified or not, began to be leveled.

Had that triumvirate chosen to pursue national goals, it would have taken a different posture. But apparently its main goal became to retain power at any cost. Generally, when a group wants to retain power without an ideology it tries to mislead the people to prevent it from uniting and usually relies on armed force to do that. In order to accomplish that it is necessary to give an incentive to the armed force so that it becomes dependent on and associated with the government. To that end the armed force is generally given the right to "plunder" (are the quotation marks necessary?) the people. In such circumstances, any change of government not only means material losses for such a force but also becomes a question of life and death, because it has allowed itself that which will never be forgiven. In Armenia, the police became that force. From this standpoint, I sometimes think that another nation has come and conquered our state and our people. Sometimes I think that I am living in the days of Mongol rule.

Thus what is happening in the country today can be explained from this standpoint. Siradeghyan's press conference was one of the steps of that policy. Perhaps it was not a very successful step, perhaps it could have been taken more subtly as was done in the past, but nevertheless the step has been taken. Ironically, I see a positive point in all this. This may become the last straw which may help or force the public to see or to take an interest in what is happening in the government's kitchen, to

open up that kitchen and to lead to a certain amount of housecleaning. This must not be done in the streets and at the level of gossiping. It would be appropriate to create a multiparty commission of the Supreme Council that includes representatives from public organizations and worker unions from enterprises. [passage omitted]

[HAYLUR] It has been said that this confrontation between the two branches of government is so dangerous that it may lead to civil war. What do you think?

[Manukyan] First, I do not see a confrontation between two branches of government, because even in the "good days" Ashot Manucharyan was part of the second level of government even though he had many levers of power in his hand as part of his responsibilities. I repeat, it is the triumvirate that is the government. Manucharyan is an individual who stood with the government, and now he is outside it.

As for the prospect of a civil war, I do not see any such danger. We, the Armenian nation, are different from our neighbors.

[HAYLUR] Then, in your opinion, what course may these events take?

[Manukyan] It is hard to say. In any event, if the commission I proposed is created and these issues are examined in a normal manner, many things will surface. We will learn the kind of government we have and what type of government we want to have. Also, the people will be able to participate in politics to some extent.

In the last few years, Armenia did not have real political rivalry. Rather there was a practice of gossiping and mutual attacks. From that standpoint, we may come out of all this cleaner and ensure that political rivalry is waged not through gossips or by misleading the people but through extensive debates over serious political and economic issues.

[HAYLUR] Vano Siradeghyan said during his press conference that there were no disagreements between you and Levon Ter Petrosyan. He said that it was the "komsomol" wing of the Karabakh Committee, led by Ashot Manucharyan, that worked to create such disagreements.

[Manukyan] Of course we had disagreements, and it is ridiculous to think that it was Ashot Manucharyan who created them. We did have several disagreements but that is the subject of a separate discussion. It is not proper to mix everything together.

Let me say that from the time of the Karabakh Committee and after we became a government I engaged in debates with Ashot Manucharyan continually. He and I argued more than anyone else in the National Security Council. However, those were all debates of a political nature.

[HAYLUR] You have accused the government of pursuing an antinational policy. You said that the said

triumvirate stood out even in the Karabakh Committee, that is, even in the Armenian Pannational Movement [APM]. You were also a member of that Committee. Then you became prime minister and later defense minister and controlled certain levers of power. What did you do to prevent the said triumvirate from pursuing an antinational policy?

[Manukyan] At the beginning they probably got together out of friendship. During the time I was prime minister, they became a political force which gained control of a powerful political machine, the APM. I must say that they had to mislead certain members of the APM to achieve that. Not all of APM was aware of that play.

The office of prime minister was quite burdensome, especially since we were not prepared to become a government. Of course there was a general program of independence, democratization and privatization, but, except for these approaches that specified general directions, there were no detailed programs. Also we had a serious problem of cadres. We had to cope with Armenia's economy in those conditions. That took all of my time, leaving me no opportunity to focus on the internal politics of the APM.

National Policy

[HAYLUR] How would you define or describe what you call "national policy"? How do you see the resolution of the Karabakh problem?

[Manukyan] For many, the word "national" has a mystical meaning and appears to be a complex phenomenon. In reality, national policy is a very simple concept. For example, the conclusion of the Karabakh war is closely tied with the fate of our people. I think that if we lose Karabakh we lose, as a nation, something much bigger and more important than a few thousand square kilometers of land.

Of course it is Karabakh that is at war, but what type of Armenia stands beside it has a very big significance. This war should have been transformed into a pannational war. Indeed, it was like that. You recall how the entire nation wanted to help and contribute to that liberation struggle. But everything was done to ensure that the people stand aside. This is not how one runs a national liberation struggle. Transforming that struggle into a pannational struggle is a truly national objective. Novice government officials think that they can solve this or that problem only by state means and that there is no need to incorporate the people in policymaking. [passage omitted]

When the president of the republic tells the people that this situation will last for many decades, he is once again pursuing an antinational policy. In addition, I do not agree with what he says. Also, I do not know any leader of any country who allows himself to say something so cynical to his people—especially when that does not

correspond to the truth and when the only purpose of saying such a thing is to justify and to consolidate his own rule.

[HAYLUR] During his press conference Ashot Manukharyan urged the creation of a government of conciliation and described it as a coalition of parties, organizations and individuals around a prime minister. What do you think about this issue?

[Manukyan] I do not find the present structure of government, in which the president appoints the prime minister and all the ministers, very meaningful. During the time Khosrov Harutyunyan was prime minister, we had an absurd situation: the prime minister did not agree with the government program. When this issue was being discussed in the National Security Council, my position was that such contradictions may arise again if the government is not formed by the prime minister, does not consist of a group of people who agree on a common policy and is made up of people who are appointed by the president even though they have different economic and political views. I proposed to the president that, in the future, he submit his candidate for prime minister to the Supreme Council for its approval. In that event the Supreme Council would be more participatory and more responsible. Then let the prime minister appoint the ministers. I stated that the president has ample powers even without that authority, and that this concession would only help his work. But the president did not agree. This is the first point.

About the issue of a coalition government: the president of the republic is always formally correct on these issues. For example, in a recent Supreme Council session he said that if 123 deputies vote for a bill, it means nothing for him, but if 124 vote for it then it is a law. From a standpoint of fairness this is wrong. The leader of a state that is not fully established must be much more careful in expressing such opinions (how many voters are there behind 123 deputies?). In other words, this issue cannot be treated like chess with its indisputable and immutable rules.

In France, which has a government structure somewhat similar to ours, various mechanisms as well as financial, economic and political bodies have been created over many years. If the game is played by those rules then it is meaningful. In our conditions, when everything is being created from scratch, a group of individuals who have risen to power can exploit the situation in the absence of other mechanisms and keep the power in their hands for decades to come. But if that group has a national mentality it must help the creation of those mechanisms. The president of the republic must see even the development of opposition parties as one of his own objectives. That is how high the president of a newly created state must stand, instead of doing everything he can to block and break the development of mechanisms opposing him.

[HAYLUR] Let us generalize and summarize.

[Manukyan] I am most distressed by the fact that our nation appears to have lost its self-confidence and its faith in its own strength. People are leaving this country; they do not believe in the future of this state. I think that we can come out of this situation. We do not need decades for that; we can do it in a very short time. It is possible to achieve peace without giving away Karabakh and to develop the economy. [passage omitted]

[HAYLUR] To do that it is necessary to have a government that pursues national objectives. Do you think that the present government is capable of doing that? If not, what is your assessment of the idea of a coalition government which has been proposed by the opposition?

[Manukyan] I think that this government cannot realize those goals, because the people no longer trust it. We already discussed the term "national": it means thinking about the people and the state, uniting the Diaspora and the entire Armenian nation.

As for the idea of a coalition government, formally it is possible to bring together those parties in the Supreme Council whose votes add up to just over half of the total and thus to form a government. But in our conditions we cannot pursue that path. It would be more natural if the leadership brought together representatives of different parties in the government, regardless of the number of votes they have in the parliament, so that everyone becomes responsible for what is done. I think that the time has come to elect a new parliament. We are slowly moving toward the practices that determine the internal life of a state. In these conditions government leaders are required to engage in nonstandard thinking.

The people in the most senior positions today did not rise to those offices with such practices. It would be very dangerous if their posture encourages the formation of a movement that attempts to change the government by the same methods [that they they used]. [passage omitted]

New Yerevan Daily Reviewed

944K0916B Paris HARATCH in Armenian 17 Feb 94
p 2

[Article by Arpi Totoyan: "LRAGIR on Diaspora"]

[Excerpts] LRAIR [Newspaper] is the newest daily in Armenia's press. The paper began publishing in October 1993 with Haykazn Ghahriyan as editor-in-chief and Tadeos Khachatryan as editor. At first glance, that is from the standpoint of presentation, the paper owes much to artistic editor Artur Ghandilyan whose page layout makes the paper attractive. This point needs mentioning given that the Armenian press pays little attention to page layout which comes on the top of poor paper and ink quality which makes their output virtually unreadable.

In addition, LRAIR is one of the few Armenian papers that publishes material worth reading. Most papers carry

articles that often echo anachronistic ideas in a multi-column format which tires the reader. LRAIR's articles and analyses indicate that an effort has been made to keep them brief, a quality that is much sought but rarely found in Armenia's papers. With serious and independent reporting added to these attributes, one gets a daily which has been missed by many for so long.

Another factor that distinguishes LRAIR is that it writes about the Diaspora more than any other paper in Armenia. Its recent issues in particular (late January and early February) carried several articles on the Diaspora. For example, the paper's 29 January issue carries an unsigned article entitled "The Armenian Diaspora: The Era of Parties is Fading." The article subjects the political life of the Armenian diaspora, with its organizations, factions and future outlook, to a detailed and accurate analysis. [passage omitted]

LRAIR continues its interest in the Diaspora with reports about Diaspora assistance to Armenia in its 1 and 2 February issues. The first article by Vahe Tondrakyan is entitled "Diaspora's Current Assistance to Armenia" and subtitled "Aid Declines Steadily." The second article by Hayk Mesropyan is entitled "Armenia an International Beggar" and subtitled "The Diaspora and Humanitarian Aid." Both articles are shorter than the political analysis of the Diaspora. The first article briefly enumerates the assistance provided by the largest Diaspora organizations and says that this aid began with the earthquake [of 1988] and has been declining steadily. Tondrakyan writes that after creating branches and press organs in Armenia, Diaspora organizations thought their work was done. He describes assistance by political parties as a "supply of financial and technical means for information and press dissemination to their sister organizations."

Although interesting, the views of the writer are difficult to debate in today's conditions. Those views are summarized in the following paragraph: "It is becoming steadily clear that the Diaspora's assistance to Armenia and the Nagorno-Karabakh Republic is only temporary and that in the future it is the latter that must help the Diaspora."

Hayk Mesropyan's article contains even sharper points. After stating that "today Armenia has earned the reputation of being an international beggar," he continues with evident bitterness: "What is most painful is that our Diaspora brethren also have the same disrespectful attitude toward Armenia." [passage omitted]

Anti-Dashnak Organization Reportedly Formed in Baku

944K0916C Istanbul MARMARA in Armenian
5 Feb 94 pp 1, 4

[Excerpt] We read in today's [Istanbul] CUMHURİYET:

In Azerbaijan a pro-government organization has been created to wage armed struggle against Armenian expansionism.

The organization, called "Anti-Dashnak Organization," held its first meeting in Baku yesterday and proclaimed its goals as follows:

"Our principal objective is to wage a just and armed struggle against the Armenian Dashnak party [Armenian Revolutionary Federation]. As is known this party has resorted to cruel acts and has perpetrated genocide against Turkish and Muslim people with a fascist mentality and with rigid and uncompromising Armenian fanaticism. The Armenians have been perpetrating genocide against the people of Azerbaijan for more than 100 years. They use every opportunity to exterminate hundreds of thousands of innocent and defenseless Azeris. Throughout history Armenians have repeatedly attacked and tried to seize our lands.

"The Anti-Dashnak Organization is determined to stop the savagery and massacres by the fanatical Armenians."

The statement notes that the headquarters of the organization is in Baku and that the new group is engaged in extensive work to organize across the country. [passage omitted]

AZERBAIJAN

Prime Minister Reviews 1993 Economic Statistics

944K0924A Baku BAKINSKIY RABOCHIY in Russian
4 Mar 94 p 2

[Azertadzh report on statements at cabinet conference by Azerbaijan Prime Minister Suret Guseynov: "Results of Last Year Discussed"]

[Text] Despite the steps taken by the republic government last year to stabilize the economy and overcome the crisis, the results desired were not achieved. The situation in the consumer market continued to be strained, the rate of inflation increased, and the public's standard of living declined. Participants in the Cabinet of Ministers conference under the chairmanship of Prime Minister Suret Guseynov, which discussed the results of national economic activity in 1993 and the tasks ahead in the current year, arrived at these inauspicious conclusions.

According to data from the Ministry of Economics, industrial production declined by 6.8 percent last year and the volume of national income dropped by 13.3 percent compared with 1992. Oil production decreased by 800,000 metric tons and natural gas production declined by 1 billion cubic meters. The situation in agriculture was especially bad; it failed to deliver 21 percent of the grain, 43 percent of the vegetables, 59 percent of the cotton, and the same amount of grapes to the state. Compared with 1992, 34 percent of the meat, 29 percent of the milk, and 60 percent of the eggs were delivered.

The volume of foreign trade turnover was \$545.4 million, including exports of \$325.7 million and imports of \$219 million. The exports were mainly petroleum products and the imports were mostly foodstuffs. It was noted at the same time that strategic products continue to be taken out of the republic because of lack of supervision by the State Customs Committee and law enforcement organs.

The economic managers see the following reasons for the situation that has taken shape: the imperfect nature of the finance and credit system, insufficient capital investments or even the complete lack of them, and failure by a number of enterprises to complete deliveries in accordance with the settlement clearing stipulated by inter-governmental agreements.

The head of government expressed his view with respect to the reasons for the crisis as well. He characterized the price liberalization announced 2 years ago and conducted before privatization and the land reform as an inexcusable error. In his opinion, this also led to an increase in the rate of inflation and a budget deficit of 25 billion manats last year, as well as the sharp stratification of society, impoverishment of most of the people, and excessive enrichment of a small proportion of the public.

The conference participants were familiarized with the Cabinet of Ministers' draft decree giving clear-cut instructions to all ministries and departments on putting affairs in order in their organizations, as well as on improving the financial situation in the republic. S. Guseynov reaffirmed the government's intention to issue a directive on the sale of state enterprises' products to commercial structures for a cash payment, as well as the collection of taxes from them in cash.

He also told the conference participants that the republic government, together with the National Bank, is taking steps to pay wages, pensions, allowances, and stipends to the public on the threshold of the spring vacations.

Summing up the conference results, the head of government again called upon all managers of economic and financial organs in the republic to direct their efforts toward fulfillment of the state's targets and normalization of the economic situation in the republic.

MVD Warns 'Radical Opposition' on Illegal Arms
944K0924B Baku BAKINSKIY RABOCHIY in Russian
6 Mar 94 p 1

["Official statement by the Republic of Azerbaijan MVD [Ministry of Internal Affairs] Press Service"]

[Text] The radical wing of the political opposition, united within the framework of the so-called "Karabakh Liberation Movement," recently announced its intention to conduct a mass action of disobedience in March and to call upon the republic's people to revolt against the country's legal leaders.

It is necessary to point out that illegal armed formations have been one of the main factors destabilizing the situation in the republic in recent years, and they have served as an implement of violent actions aimed against the state and citizens of Azerbaijan.

A particularly large quantity of arms were illegally distributed to members of the NFA [People's Front of Azerbaijan] and other radical organizations when A. Elchibey was president, and there is documentary evidence of this. Despite repeated appeals by the authorities, only a small part of the arms held by them have been returned to the republic's law enforcement organs.

Taking into account the extreme public danger of calls to revolt, which are a threat to Azerbaijan's national security, the republic's law enforcement organs have recently stepped up their work to confiscate the combat weapons held illegally by private individuals.

During the course of this work more than 100 firearms, over 200 explosives and incendiary agents, and 95 bulletproof vests and other munitions and equipment have been confiscated from various members of the radical opposition. Seven persons have been arrested for their illegal possession. An investigation is being conducted in connection with the discovery of munitions and military gear on the premises of the NFA headquarters; there have been no arrests.

These actions by the authorities have received the full support of the republic's citizens, who are tired of the illegal acts and political extremism of the radical opposition.

In attempting to whitewash their illegal activity, the radical opposition and the mass media controlled by it seek to misrepresent the actual course of events and unleash a propaganda racket about "repressions" and "persecution" against the opposition.

Unfortunately, many news agencies have become unwitting participants in this deliberate manipulation by disseminating unverified information.

In this connection, the press service of the Azerbaijan MVD has been authorized to state the following.

Observance of personal rights and freedoms is a fundamental principle in the Republic of Azerbaijan's domestic and foreign policy. The authorities' actions to ensure the security of citizens, the society, and the state and to confiscate the weapons held illegally by extremist and radical groups who call for violent actions are aimed at these very objectives. Political pluralism and the rights and freedoms of opposition organizations are observed to the full extent, and the activity within the law by many opposition parties and their mass media, which do not pursue extremist objectives or call for violent actions, attests to this.

Government Issues Decree on Trade-Economic Agreement With Latvia

944K0924C Baku BAKINSKIY RABOCHIY in Russian
6 Mar 94 p 1

[Untitled AzerTadzh report]

[Text] The Azerbaijan Government passed a decree on steps to implement the protocol on reciprocal deliveries and the principles of trade and economic cooperation between Azerbaijan and Latvia for 1994, which was signed on 11 January 1994.

As an AzerTadzh correspondent was informed by the Cabinet of Ministers Press Service, the heads of ministries and departments, state committees, companies, concerns, enterprises, and organizations have been instructed to take the necessary steps to ensure strict fulfillment of deliveries to Latvia stipulated by the intergovernmental agreements for 1994.

It was stipulated that Latvia will ship products of the paper and automotive industries, electrical equipment, and consumer goods, as well as canned meat, dairy, and fish products, to Azerbaijan in 1994. Azerbaijan, in turn, will send petroleum products, items turned out by the chemical, metallurgical, and electrical engineering industry, and agricultural products to Latvia.

Newspaper Found Innocent in Government Slander Case

944K0924D Moscow OESHCHAYA GAZETA
in Russian 11 Mar 94 p 2

[Report by OESHCHAYA GAZETA correspondent: "The President and Premier Were Not Slandered"]

[Text] The trial of the popular Russian-language newspaper GOLOS ARMENII has ended in Yerevan.

The prosecutor of Spandaryanskiy Rayon accused the newspaper of publishing reports defaming the honor and dignity of the prime minister and president of Armenia, as well as unverified information. He demanded that the newspaper be shut down for 3 months.

After 3 weeks of hearings, the newspaper was acquitted for lack of a corpus delicti.

Breakup of Kolkhozes Produces New Inefficiencies

944K0926A Baku BAKINSKIY RABOCHIY in Russian
1 Mar 94 pp 1-2

[Article by P. Leonov: "You Give Us Collectivization!.."]

[Text] Perhaps only this way, in true bolshevist style, can you evaluate the process of mass circulation of new kolkhozes in the republic which has been continued since the times of the "glorious" Stalinist five-year plans.

If you think about it, our agriculture has been a vast field of experimentation. All kinds of experiments were conducted over the years! First they consolidated them, then they broke them up, then they transformed them into sovkhoses and interkolkhoz associations. There was a time when they even cherished the idea of creating agrocities. But all these undertakings were conceived at the top and implemented in a directive procedure.

But the process which has spread over the Azerbaijan countryside during our democratic era is not connected with government decisions, not obligatory for the lower strata to carry out, and not imposed by the will of high authorities at all. The initiative began in local areas, and the ones who started it were persons who thirst for power and want to prosper at the expense of their fellow countrymen: you see, some persons were needed right away to become kolkhoz chairmen, surrounding themselves with devoted people who dream of cozy homes in management, a little farther from the fields and farms. Enticing the masses, "activists" have shared their "brilliant" plans, painted glowing pictures of economic prosperity, and led them on with the ideas of unlimited independence that are in vogue now.

This is how the process of breaking up the existing kolkhozes and creating new farms in the rayons was begun and rapidly accelerated. While there were 608 kolkhozes in the republic in 1985, there were 983 when the question of decreasing and eliminating them arose in 1990, and there were 1,175 of them the year after, there are more than 1,200 of them today! This means that there are twice as many chairmen and the number of management personnel who are not working in productive labor in the fields and pastures and on the farms has increased accordingly, naturally. Some rayons have been especially successful in their yearning for organizational activity. Bilyasuvarskiy Rayon now has 22 kolkhozes instead of 13, Ismailinskiy Rayon has 17 instead of eight, Geranboyskiy Rayon has 61 instead of 30, Agdzhabedinskiy Rayon has 40 instead of 24, and Babezhskiy Rayon now has 32 instead of five kolkhozes. So many major changes have taken place in a number of rayons in just 1 year.

Residents of four settlements in Sabirabadskiy Rayon—Mugangendzhyali, Dzhengyan, Salmanly, and Tezekend—were members of the rather prosperous "Oktyabr" Kolkhoz. After promising their fellow countrymen rivers of milk and honey and swearing to serve them faithfully, the new candidates for chairmen urged the people to vote to divide the kolkhoz that had been formed a very long time ago. As a result, each one of the villages acquired its own kolkhoz—"Shakhiyar," "Shen Khayat," imeni S. Gazanov...

Though the efforts of those who aspired to be the leading landowners were not crowned with success everywhere. As an example, in Belokanskiy Rayon, there are fewer kolkhozes than before.

I have been told that once they had assumed power, many of the new kolkhoz managers rushed to provide themselves with an official vehicle and driver for their personal use first of all and began construction of a solid building for the kolkhoz board with the indispensable main office and hall. A well-equipped, spacious, personal farmstead was often quickly built at the same time. As a rule, the persons who zealously assisted the power-lover to occupy the administrative and economic throne in a deserted, downgraded little hamlet were rewarded, depending on the extent of their services.

But perhaps by taking care of themselves and those close to them, the new chairmen were also concerned about kolkhoz production?! In most cases, their activity has turned out to be deplorable. Let us take Geranboyskiy Rayon, where the kolkhozes were broken up so zealously. The average gross production on 100 hectares of agricultural land in 1992 declined by one-half as much compared with 1985. In Bardinskiy and Salyanskiy rayons, output also declined by nearly one-half as much during the same period.

Overall profitability of agricultural production in the republic slid from 36 percent in 1980 to 14 percent in 1992. The yield of literally all agricultural products has dropped sharply, and livestock breeding is in a disastrous state. Even cultivation of vegetables has ceased to be profitable on the kolkhozes. The figures on the increasing number of unprofitable kolkhozes are depressing: there were only **four** of them in 1985, but now there are over **200!**

Of course, the causes of the agricultural crisis in Azerbaijan are deep-seated; it stems from the extremely bad state of the economy in general, the break in traditional ties among the regions, and the political instability. However, among the other reasons, the factor of **overall fragmentation** of the kolkhozes has been very harmful. This organizational intrigue has drawn workers away from production and left the fields and farms without supervision. The division of kolkhoz property has been scandalous in nature at times: each of the new formations has strived to seize the arable land that is a little better and equipment in a little better condition.

I read a letter from the countryside describing the painful division of property when a large and prosperous kolkhoz was broken up. One obtained a well-equipped repair base, and others received tractors and cultivators which needed thorough technical maintenance. They distributed few spare parts, and it became obvious that none of the sides would benefit from this. It turned out that one of the divided kolkhozes had most of the cultivators, but two others did not know what to do with unneeded agronomists and livestock experts. Bitter, long-lasting disputes have broken out concerning who will be responsible for the credits taken in preceding years, and to what extent.

It is clear that the separated collectives, in addition to losing a substantial amount of material resources and

often deprived of specialists, have not only been unable to achieve high labor productivity, but productivity that is barely acceptable. Some of these farms that were created artificially very quickly became **completely bankrupt** and incapable of providing for even their own local residents.

The competence and morality of the kolkhoz chairmen who have taken the reins of power lately are another matter. In 1992 and the first half of 1993, because of party bias, persons who were absolutely incompetent and far removed from agricultural production were advanced to positions as kolkhoz managers. Out of 18 new chairmen in Geranboyskiy Rayon, 13 have no agricultural education. **Drivers, medical attendants, teachers, librarians, and photographers** continue to hold positions as chairmen here and there to this day. Kolkhoz regulations and the principles of democracy have been rudely flouted.

Practice such as this has been fertile ground for misconduct and provided scope for the princelings to plunder kolkhoz and public property. In Kyurdamirskiy Rayon, a clever kolkhoz chairman made his 90-year-old sister-in-law the "manager" of a cooperative and sold her kolkhoz motor vehicles, a tractor, and a water pump at bargain prices; the building for a machine shop, a transformer, and a bath house were transferred to her without charge. The kolkhoz "let the cooperative have" 150 sheep at little cost. Dozens of hectares of land suitable for cultivation were dispensed left and right. And the creator of this self-rule got away with it.

Many of the kolkhoz members who sincerely believed in the advantage of breaking up the kolkhozes or who were deceived as careerists and mercenary-minded individuals would not mind reuniting the separated farms today. In Imishlinskiy and Geranboyskiy rayons, six kolkhozes were consolidated and gained as a result. But on the whole, it is not simple to put the prevailing trend of possession in reverse. The managers of farms in local areas do not intend to part with the positions which provide them with an incredible salary, the opportunity to command, and all kinds of privileges.

And it is hard to engage in organizational restructuring once again, especially in our troubled time.

The number of kolkhozes in the republic has increased partly because a number of unprofitable sovkhoses in mountainous areas were turned into kolkhozes. The state left its burden to the rural residents and firmly proceeded to change the form of ownership. But the unprofitable sovkhoses were not turned into profitable kolkhozes for the most part, and this has given persons an additional reason to maintain that kolkhozes in general, no matter whether they are large or small, have become obsolete and they have clearly shown that they are unsound.

Such categorical conclusions are not likely to be urgent these days, when we are entering the market little by little with huge and obvious losses, where privatization is

only shown by a dotted line, and the triumph of private property is still a long way off.

In the current segment of history with its distinctive contradictions and the cataclysms and extraordinary burdens for the people, **it is important to retain and make use of all forms of ownership with the most possible benefit for society** and to efficiently utilize the best that is incorporated in the kolkhozes. Casting aspersions on them without making distinctions and rejecting a differentiated approach would be an irreparable error. In accordance with our old custom, the kolkhozes are still being commanded from without, their free access to the market is being impeded, and excessive taxes are being imposed on them.

I was told an interesting fact at the Kolkhoz Affairs Main Administration of the Ministry of Agriculture. Livestock raising, and milk production in particular, is unprofitable for kolkhozes in the republic as a whole. Kolkhozes have been compelled to give milk to the state dairy plants at a sharply understated and "very ludicrous" price. But in Imishlinskiy Rayon, one of the kolkhozes was authorized to sell milk freely as an exception. As a result, in less than a month, selling milk in the market at 70 manats [unit of currency] per liter in January, the kolkhoz earned more than in the entire year of 1993! And the cash was most welcome to the kolkhoz.

It is hard to tell what will happen to the separated kolkhozes now. I think in each specific case we have to be extremely careful and cautious not to resort to severe administrative pressure, to appeal to people's intellect and aspirations first of all, and to encourage and support their sense of economic expediency in every possible way.

January Figures Show Continued Industrial Decline

944K0926B Baku BAKINSKIY RABOCHIY in Russian
22 Feb 94 p 1

[AzerTadzh report: "The Production Recession Continues"]

[Text] The stabilization of the economy being forecast this year has not begun yet, judging by the results of the first month. According to data provided by the republic's Goskomstat [State Committee for Statistics], the decline in industrial production in January, compared with the same period last year, was recorded at 11.3 percent.

The situation was worse in practically all sectors.

The situation in agriculture is even less comforting.

The production of automotive gasoline was increased somewhat. But against the background of nearly universal economic decline, the situation in the wine and vodka sector was especially heartening. Production of alcoholic beverages was nearly doubled compared with January 1993.

As far as prices are concerned, they rose by nearly 10 times as much during the year, but the average wage rose by just 4.3 times as much. It was 4,600 manats in January 1994.

The principal reasons for the production decline and the worsening economic situation, according to the analysis cited by the republic's Goskomstat, are **the critical shortage at enterprises of raw material and materials because of their higher prices and enterprises' failure to make payments.**

Solution Sought to Meat Supply 'Crisis'

944K0926C Baku BAKINSKIY RABOCHIY in Russian
22 Feb 94 p 1

[Article by BAKINSKIY RABOCHIY correspondent G. Safarov: "Why Is Meat Rising in Price?"]

[Text] Yevlakh—The situation in livestock raising has become quite strained lately, as we know. Of course, the sector can be revived once and for all only after the occupied territories are liberated. But is there a possibility the situation can be at least alleviated somehow?

"I think we can," said F. Aliyev, director of the Yevlakh combine. He stressed that the economic ties that were broken with partners in the near abroad must be restored to overcome the crisis.

In past years, Agdam and Yevlakh provided mixed feed to livestock raising farms not only in Karabakh, but several dozen other rayons in the republic as well. Various components came from 20 cities in the former union republics—from special salt, chalk, and cottonseed meal to oats and fodder grain—to turn out the finished product.

It has now been several years since the stabilized ties with suppliers were broken. Moreover, we cannot count on the Agdam combine for the present. And the production volumes in Yevlakh are now being measured in just hundreds of metric tons, not thousands. While mixed feed of five varieties was turned out here before, only one form of the product—a feed mixture from local raw material—is being prepared and delivered to the farms now.

My interlocutor is undoubtedly right. But on the other hand, the repeated increase in prices for deliveries from the near abroad cannot be disregarded, either. Consequently, the prices for mixed feed will rise as well. Accordingly, the livestock raisers will be selling their product at a higher price.

Well, it is possible that this is only the first stage in a solution of the problem—achieving definite saturation of the market for livestock products. And as far as the future is concerned, we have to ensure that prices for meat, milk, and dairy products are at least stabilized, if not quickly lowered. It is up to the market.

Supply, Payment Problems Hamper Asbestos Cement Business

944K0925A Baku BAKINSKIY RABOCHIY in Russian
4 Mar 94 pp 1-2

[Interview, under the rubric "Topical Interview," with Umud Umudovich Melikov, director of the Baku Asbestos Cement and Ceramic Items Combine, conducted by P. Leonov; date and place not given]

[Text] The director of the Baku Asbestos Cement and Ceramic Items Combine, U. Melikov, answers the questions of the BAKINSKIY RABOCHIY correspondent.

[Leonov] Everyone needs the output which you produce, I dare say: state and cooperative organizations, joint enterprises, and individual citizens. Slate, Dutch tile, ceramic tile, and sanitary equipment are necessary for construction, repair, and everyday life. So why is it that we never have enough of them in our country, and how do things stand now?

[Melikov] Even in the best times the republic supplied itself with only 30-40 percent of these materials and the rest of the output had to be obtained outside its borders. Even though our combine's capacity, according to accepted standards, is fairly large and it used to increase every year. But the disruption of inter-enterprise regional ties threatened the combine's very existence. The unified national economic complex which was formed in the past had its indisputable pluses and its enormous minuses. The administrative system could not handle the problems of long distance hauling, dependence on suppliers from other cities, and the marketing of finished items. In accordance with the program worked out at the top, our enterprise received almost all its raw and processed materials from outside. And those materials included up to 70 types of raw materials, industrial cloth strainers for manufacturing slate, and spare parts. This practice hampered initiative in local areas, created feelings of dependence, and hindered the search for and development of deposits of various types of raw materials right in our republic, which is rich in various kinds of natural resources. Now all this has also had a very negative effect on production. Judge for yourselves how nepheline is obtained in the city of Apatity, which is on the Barents Sea, and asbestos in the Urals and in the Kazakh city of Dzhezhgazan, firebrick in the Donbass, and ceramic paints in Voronezh! That is the reason for the disruptions in the combine's work, the forced downtime, and the drop in production of output. Now, for example, the slate shop is idle. We are trying to rectify the situation and reduce the enterprise's dependence on imported raw materials. Along with the sectorial concern and the Building Materials Institute, we are seeking particular types of raw materials in Azerbaijan and organizing their extraction and delivery. We have organized a cooperative engaged in working a local deposit of perlite; in Shamkirskiy Rayon and on the Sumgayychay River we are creating production sections for exploiting deposits of clay. The quality of the clay, as

it happens, is altogether suitable for producing superior Dutch and ceramic tiles. This will reduce the pressure for supplying clay from outside. There are also experiments underway on local quartz sand, deposits of which used to be ignored. Dzhebrailskiy Rayon will be completely liberated from the aggressor, and from there we will be able to obtain volcanic ash used to manufacture ceramic tiles. We have also adapted to the use of Karadagskiy cement, instead of cement from Volgograd. Work in this direction will be continued with increasing intensity. But even so, for now and in the foreseeable future the combine will be unable to operate successfully without close cooperation with partners from other republics of the former USSR. However, considerable difficulties of an objective and subjective nature put us on guard here.

[Leonov] Most likely, first questions of mutual accounts with suppliers and customers, questions of payments. A lingering, serious illness common to many people!

[Melikov] Within the republic, in the manat zone the situation with payments is relatively favorable. Overall banks are duly handling the transfer of money. True, sometimes, and not so very rarely, there are delays. For example, money takes half a month or even more to get from Salyany to Baku. At times one gets the impression that the banks hold back the capital for their own commercial transactions, since loaning it out and charging interest is profitable. We do not have Russian rubles, so we use barter in relations with suppliers from the CIS countries. We settle accounts with our own finished output as well, especially sanitary equipment and other items produced in Azerbaijan which enjoy stable demand. But today it is very difficult to cooperate with suppliers, Russian, Ukrainian, Kazakh, Central Asian, and Georgian. The world has a golden rule: everything that is not forbidden is permitted. In our country, with almost every step of economic activity, we encounter all kinds of obstacles, bureaucratic barriers and red tape, acutely painful formalism, innumerable derivative legal enactments, and arbitrary instructions and circulars. Any transaction has to be reconciled with higher levels, even the Cabinet of Ministers, and permission must be obtained from them.

As a result, valuable time is lost, you must endure damages, and you may lose the supplier or the client. We reached agreement with our colleagues from Georgia that they would give us 26 railroad carloads of raw materials, perlite, and in exchange we would give them 9 carloads of our own output, slate. Our neighbors efficiently fulfilled their obligation. After a long ordeal, we managed to ship out only two carloads of slate. The documents for the other cars are wandering from office to office and the authorities are in no hurry to give the "go ahead." Lost days also mean lost money and additional troubles: we have to conclude the contract all over again, because of higher prices.

Business ties with producers from the near abroad are complicated by the overly suspicious customs service. Customs by no means wanted to allow in the ceramic

balls which are used in the technological process and came to us from Russia. We had to spend a long time proving that these balls were not suitable for other purposes.

I have been in Turkey and Czechia more than once, and, I must confess, I have watched with envy how quickly and freely, without bureaucrats' intervention, major deals are concluded there, financial transactions are conducted, and the transport of freight within the state and hundreds or thousands of kilometers from it is carried out.

[Leonov] Umud Umudovich, this is not the first year that as an administrator with a respectable record and an experienced specialist, you have headed an asbestos cement and ceramic items combine, for before this you managed the Karadagskiy Cement Plant, the Baku Glass Plant, and the Baku Building Materials Combine. Tell us what, in your opinion, must be done so that domestic sanitary equipment and our output earmarked for construction and domestic needs will meet world standards and be competitive on the international market. For it is no secret that local items suffer badly in comparison with those foreign models which are now sold in commercial stores at exorbitant prices.

[Melikov] In terms of price, our items are on the average one-tenth as expensive, but outwardly they are at a disadvantage in most cases. A number of things are to blame for that. I dare to reassure you that the thousand-member collective of our combine is very skilled and people are able and try to produce contemporary, high quality output and raise production volumes. But the forced stoppages of technological lines have a by-no-means good effect on their work. As I already said, our slate shop has been down for a week because there is no asbestos, which comes from the Urals. We have the very same unfortunate problem with payments! Problems of supplying raw and processed materials take up too much time and energy. We managed to get several carloads of hardware for sanitary-porcelain items from outside, and we were lucky: we have enough of it for 2 years. Gypsum delivered from Samara allows us to manufacture better quality output. Under the present particular conditions, it is fairly difficult to procure good paints, which is what the quality of Dutch tiles largely depends upon.

A substantial part of our equipment has become obsolete, and that includes equipment bought at one time in Italy and Germany; that also affects quality. You cannot get spare parts from the far abroad now. We are resourceful and make do with our own efforts and hire Baku machine building plants. Units for producing asbestos cement sewer pipes were installed at the combine back in the 1940s. There is a great need for these pipes, but we have had to shut down production. The equipment was so worn out that it did not meet the elementary norms of equipment safety. And, besides, it is intolerable to use primitive "sledge hammer" technology in our time! The maximum diameter of the

asbestos cement pipes produced on this line equaled 1 meter 200 centimeters, while these days Italy is manufacturing equipment intended to produce pipes up to 3 meters in diameter. We spend 48 hours to fire each batch of porcelain items in the kilns. These kilns belong to the past, since in enterprises similar to ours abroad there are kilns where firing lasts not 48 hours but 24 or even 12 hours.

We do not have the hard currency to acquire the latest foreign equipment, but we hope in the future to sign a mutually advantageous agreement with foreign firms which are managing construction of prestigious projects in Azerbaijan. Is it reasonable for them to bring Dutch and ceramic tiles and sanitary equipment from afar if they can get them at our combine equipped, with their help, with contemporary, high technology lines?

But even so, despite the difficulties already named, the collective is managing to raise the quality of our output. We are manufacturing pretty two-tone Dutch tiles and various kinds of attractive designs are being added to the surface of the tiles at the decal section. "Tyulpan" [tulip] basins for bathrooms done in light blue, pink, and other colors come off the conveyor. We have also changed over to producing more convenient models of other sanitary equipment. The enterprise's chief engineer, Meymat Guseynov, and the laboratory chief, Tagir Gadzhiyev, set the tone in the work to refine production and incorporate new models. Incidentally, last year by common efforts we managed to produce many more improved sanitary-porcelain items than was planned.

[Leonov] It has become a common and unfortunate occurrence that skilled workers leave state enterprises, which are in turmoil, to go to all kinds of commercial structures where earnings are higher and more reliable. Tell us, please, how could you avoid the exodus of cadres and preserve the main backbone of specialists?

[Melikov] I would like to have seen the results of the last year more impressive, but we kept profitability at the level of 15 percent and obtained pure profit of 411 million rubles. The average monthly earnings in January of this year reached 8,000 manats. As before we continue to handle housing construction for our employees. Last year a 10-story housing block with 100 apartments was occupied, and in the first quarter of this year another residential building with 50 apartments will be ready. It has been decided to build a third building in shares with Glavbaktroy [Main Construction Administration of Baku]. We supply our own people with agricultural products at reduced prices, subsidize the cost of lunches in the enterprise's cafeteria, and opened a shop to bake bread on the combine's territory. Special attention is lavished on the families of our industrial workers who with weapons in their hands protect our native land.

And overall people treasure their own enterprise to which they are closely linked.

I think that all these factors certainly serve as a response to the question posed.

Information Minister on Plight of Press

944K0925B Baku BAKINSKIY RABOCHIY in Russian
18 Feb 94 p 1

[Report on interview with Sabir Rustamkhanly, Azerbaijan minister of press and information, conducted by unnamed Khabar-servis Agency correspondent; date and place not given: "Mass Information Media Need Governmental Support"]

[Text] "If the situation does not change, it will soon become even more difficult to put out republic newspapers and journals," said the minister of press and information, Sabir Rustamkhanly, in an interview with a correspondent of the Khabar-servis Agency. Even now many printed publications in Azerbaijan come out very late, and some have ceased to exist altogether. Editorial offices are in dire need of capital to buy metallic plates which are essential in the printing process, the price of paper rises every day, and many press organs are unable to handle these problems on their own.

In S. Rustamkhanly's opinion, there is only one solution to the situation which has developed—financial support of publications, including independent ones, from the government. He emphasized that slightly more than a million dollars a year are needed to buy everything necessary. "The leadership of Azerbaijan must be clearly aware that a normally operating 'fourth estate' is an enormous help in the cause of state construction," S. Rustamkhanly stated in conclusion.

National Security Minister Reviews Situation with Border Troops

944K0925C Baku BAKINSKIY RABOCHIY in Russian
22 Feb 94 p 2

[Article by M. Akhundlu: "There Is No Peace on the Border: Notes from an Expanded Meeting of the Border Troops Directorate of the Azeri Republic Ministry of National Security"]

[Text] The Azeri Republic Ministry of National Security border troops serve their duty in complex operational conditions. As was already reported, during combat actions Armenian armed formations reached the Azeri-Iranian border and now a significant part of Azeri territory is under their control. Tens of thousands of refugees from regions occupied by the enemy are also concentrated on the border. This diverts personnel from their primary duties, and border troops are participating in combat operations, distributing humanitarian aid coming from the Iranian side, and conducting scheduled activities in regions where camps for refugees in the border zone are located.

Special difficulties in serving on the border arise from the incompetence of personnel at the military posts of Dzhailabad and Yardymly, where frequent attempts are made to cross the border and bring in contraband.

The border in the Geytepe section is not being guarded properly. Smuggling and the driving of livestock to the neighboring country often occur under the "patronage" of certain associates of state and law enforcement organs and soldiers.

A difficult situation has taken shape on the northern borders of our republic. Last year certain leaders of the Dagestan society Sadval intended to create tension in this zone and resorted to direct provocation. Thus, someone with the nickname of Alik from time to time approached the Samur post at Yalaminskiy Checkpoint with his detachment and using firearms tried to provoke a confrontation and threatened the Azeri border troops. As it became clear, this group is closely linked to associates of the militia and GAI [State Automobile Inspection] of Magerramkentskiy Rayon, which adjoins our republic. More than once militia associates on Dagestan's territory have beaten up drivers of motor vehicles going from Azerbaijan to the Russian Federation.

One might say the measures which our republic's leadership is taking to resolve the problems of the local Lezghin population are to some extent reducing tension. But the situation on the northern border of Azerbaijan also depends to a considerable extent on the actions of criminal elements who are sowing hostility among our peoples. The rayon public should take a stand here and rebuff the provocations.

Last year about 3,000 people tried to cross the border with Iran. They were citizens of Turkey, Ukraine, Afghanistan, Azerbaijan, and Iran. More than 13 million rubles and about 1.5 million manats, 3 million rials, 45,000 U.S. dollars, hundreds of head of cattle, sheep, and goats, firearms, cartridges, narcotics, and tonnes of aluminum and copper were confiscated from offenders. All this was discussed at the expanded meeting of the republic Ministry of National Security's Border Troop Directorate.

As was noted at the meeting, the benefit from the border troops could be more appreciable if military discipline were more carefully observed at military posts and officers and soldiers were more vigilant, honest, and professionally trained. The fact that during the year 100 officers and warrant officers were discharged from the border troops for various violations is also alarming.

And 1994 will not be a simple one for the border troops either, and a number of proposals to step up the Directorate's activity and raise the professional attributes of personnel were adopted at the meeting.

ECONOMIC AND SOCIAL AFFAIRS

Skepticism Towards Democratic Reforms Growing, Economic Ills Viewed

944E0602A Moscow ROSSIYSKAYA GAZETA
in Russian 12 Mar 94 First Edition pp 1, 2

[Article by Yuriy Aleksandrov, doctor of economic sciences: "It Is No Good To Read a Burial Service for Democracy"]

[Text] The failure of democratically oriented forces during the December elections clearly marked an event, whose signs they could have detected earlier if they had not been so busy fighting their implacable opposition and explaining their relationships with each other. The increase in the citizens' social anxieties and dissatisfaction with the state of affairs in the country and the drop in their political activity were occurring during all of last year. After the October events ended the democrats' ideological and political offensive against Soviet communist totalitarianism, Russian society, which was released from the hypnotic influence of the conflict between the branches, called into question the doctrine proposed by the democratic reformers for building a new Russia.

Where Are We Going?

It is not worthwhile hurrying to read a burial service over Russian democracy. It is alive; however, it is, without a doubt, living through difficult times. Judging by everything, a political recoil began after the spurt forward. The speed of the communist system's disintegration greatly determined its energy. What will be its strength and where will it lead all of us? One must understand whether one ought to attempt only to slow its backward movement and make its consequences as painless as possible or whether democracy will preserve sufficient potential, requiring only adjustments in its adopted course. What should these adjustments be? The answer to this question will greatly depend on appraisals of Russian society's condition and on the choice which the democrats themselves must make. Let us begin with the first item.

When the Democratic Russia activists, who were painfully shocked by the results of the December elections, assembled to urge the people to unite in a popular antifascist front, disappointment awaited them. It became clear almost immediately that they would be alone. The liberals, communists and even part of the democrats came out sharply against this proposal—as a confrontational one fraught with a new escalation in the conflict. They said that such an action would provoke an upsurge in fascism rather than stopping it. The liberal environment again said that "communofascism" is a myth but it could become a reality if the reformers do not change their course and the "demorussians" do not stop calling people to the barricades.

Nevertheless, the decisive argument against an antifascist front at the present time was not this but rather the feeling that one would not succeed in arousing the people

to active political actions. The people were tired from the endless conflicts and from politics, in general, and have lost their trust in it. That is why the idea of a front was quickly transformed—first, into an antifascist movement and, later, into the draft of a "New Civic Movement" that would have the strategic purpose of building a civic society and insuring a peaceful process for reforming Russia. Opposition to fascism was only one of the movement's tasks.

Thus, the change in policy was caused by the recognized necessity to rethink the condition of Russian society and, correspondingly, its goals and tasks. This is really something to think about.

"The Democrats Have Messed Everything Up"

This popular curse was born in the pro-communist opposition under the influence of the USSR's collapse and the price liberalization. It has now acquired the meaning of an ideological evaluation of democracy in Russia by the entire implacable opposition. Much is concealed in this evaluation: complaints about the sharp dramatic changes in the country, irritation caused by the burdens of day-to-day existence, doubts about the correctness of the course adopted by the reformers and the value of democratic freedoms, and preservation of the strong influence of the former soviet and party nomenclatura in the central state apparatus and local bodies of power and economic structures. A wave of united anti-democratic opposition is rising on such sentiments. Great-power nationalism, the idea of a self-contained state elevated above society and maintaining authoritative order in it, and a policy of blocs and confrontations in international politics are more and more becoming its common foundation.

How far can the recoil go in this direction if an effective counteraction is not found for it? It is understandable that the best method would be successful implementation of the economic reforms, into which Russian society has already been drawn rather deeply and, as they say, the "active construction of a civic society." Perhaps, however, the latter is not quite what is needed and it is better to carry out the reforms under conditions of "enlightened authoritarianism?" This viewpoint is expressed just as frequently as the liberal romantic idea, which is contrary to it, of absolute evil coming from the state executive branch before which both the fascists and the "communofascists" are indeed only one of those defending the "sprouts of democracy" and not an alliance of extremist pro-communist and ultranationalist forces. Who is right?

The Fuss About the "Social Pie"

It is difficult, of course, for the democrats to convince people not to identify them with a corrupt bureaucratic state since they, failing to control it effectively, have taken upon themselves moral responsibility for everything in the country. However, it is important to state clearly what we are dealing with today.

First, the state has not remained unchanged since 1991. As the radicalism of market reforms weakened and the administrative regulating role of the state was made more active, it settled more and more on its apparatus-bureaucratic base and the role of branch lobbying in distributing the scarce—as before but now not only physical resources but also money resources, grew at the same time. Accordingly, the danger of returning to the system of “bureaucratic trading” for a disproportionately large share of the diminishing “public pie” grew stronger. In the final analysis, this was the undoing of the centralized Soviet economy. The fact that the leadership and lobbyists of the branch monopolies are implementing such an egging-on revenge not only by penetrating into the leading cabinets but also by actively supporting the proletarianized masses of workers, including the strike movement, is now new. This “swing” in society is fraught with two terrible threats—the inflationary collapse of the entire economy and a political explosion capable of returning the country to “war communism” and reaction.

Second, despite a presence everywhere in society, the state has nevertheless surrendered its positions to a great extent. This is having extremely painful consequences since society itself is weakly structured socially and politically. As a result of numerous post-revolution shocks (wars, class struggle, collectivization, massive migrations) to the Russian social consciousness, the natural social ties—family, kinsmen, community, fellow countrymen, etc.—which firmly bound him for centuries, were destroyed to a great extent. At the same time, modern social structures based on a compromise and mutually beneficial agreement about non-converging class interests were not strengthened.

During the Soviet epoch, a totalitarian state performed this cementing role in Russia. Now, however, this system has greatly eroded, leaving society in an atomized condition. As a result, a phenomenon of duality arose in the relationship of the modern Russian to the state: his striving to free himself from the administrative limitations of labor activity and use, on the one hand, and the simultaneous wish to preserve for himself a system of all-round state social paternalism, on the other hand. This duality and not just the resistance of the former “party, soviet and economic aktiv” is playing a role in braking the political reforms of B. Yeltsin and the market reforms in the spirit of Ye. Gaydar. Nevertheless, the reforms must move forward—but how?

Who Is Right?

Many points of view exist regarding the course of economic reforms: the government's, Ye. Gaydar's, Shatalin-Abalkin's, Yavlinskiy's, etc. Although the president in his message to the Federal Assembly confirmed the course of the reforms in its basic principles and Prime Minister V. Chernomyrdin made a completely moderate and balanced statement about ways to adjust it, arguments have become even sharper. What is the trouble?

This problem has many aspects. In any event, however, the main thing that should interest everyone is how to make a correct choice and understand what specifically divides the participants in the controversy. Here, something is beginning to be cleared up.

Ye. Gaydar, having given the economy money in the form of genuine economic resources instead of the previous account assets, was not able, according to the unanimous opinion of his opponents, to demonstrate how he could combine structural reorganization with an acceptable level of unemployment and the preservation of high-tech production. He himself, however, continues to think that his economic experiment would have brought total success if it had not been interrupted half-way. It seems that the large amount of negative experience that he acquired in the government is the source feeding his persistence. Gaydar understood, in practice, that the main problem of the reforms was how to force the branch monopolies to move to structural changes and where to get money and time to make this process as painless as possible in the economy (a decline and structural disproportions) and in the social area (unemployment).

Of course, the figures of the branch lobbyists, by whose efforts and the efforts of part of the government's bureaucracy it would be possible to throw the economy suddenly back into the chaos of the administrative market economy of the past—but now with even greater pernicious consequences—constantly stood before his thoughtful gaze. That is why he regards—not without skepticism—V. Chernomyrdin's adjustment ideas since they have not been stated completely clearly (yes, and wisely; this should have been done immediately) since mutually contradictory tasks of supporting existing production, struggling against inflation and carrying out market institutional reforms are linked together in his program although the general idea of adjusting economic policy is completely understandable.

This deficiency in the government's plan is seemingly overcome in the Shatalin-Abalkin program, which proposed a definite mechanism for producing a correlation of prices and wages in the national economy in a rational system and also for executive support of key branches by the state. Trust in the program, however, is undermined by the stubborn unwillingness of its authors to recognize the positive meaning of Ye. Gaydar's replacement of administrative levers for managing the economy with market ones. That is why the danger exists that the measures proposed by them can, in the final analysis, be a mirror anti-market image of a radical monetarist approach. Instead of the slogan: “Suppress inflation at any cost,” the slogan: “Support a certain level of social appropriations, prices and wages at any cost,” will be put forward—with the threat of rolling back to an economy of shortages.

The reform version proposed by G. Yavlinskiy with its stress on implementing a harmonious schema for state regulation of the process of subsequently transforming

the former Soviet economy into a normal market one is seemingly deprived of this defect. At first glance, it looks effective as a competitor not for the "Gaydaronomics" of the past two years but for possible other "post-Gaydaronomic" approaches, using its positive results and not only its corrected failures. The main problem, however, with this program (as with all G. Yavlinskiy's previous works at the macro level) is, in his own words, that it requires preliminary changes in political conditions—at a time when the main problem is the establishment of a program for actually existing social and political conditions.

A New National Idea

It is clear that the way to transform the former Soviet totalitarian society into a civic one runs through the failures of its atomization and archaization. That is why it is no accident that the president's message especially stressed the need to strengthen the state's role in forming civic society's institutions. The political conditions are not quite favorable for this despite the strong drop in the popularity of the democrats and democracy and the collection of opponents.

From this viewpoint, it is worthwhile to look at the case of the DemoRussians' recent advancement of the concept of a "New Civic Movement," which is designed to unite public, political, social, and other non-political movements of a civic persuasion. An increase in understanding the mutual connection between the struggle for the democratization of the state apparatus, the uniting of all pro-reform forces, the establishment of mechanisms for the citizens' effective influencing of the authorities and protection of their everyday interests by them, and, finally, the suppression of reactionary political trends are important new phenomena in the democratic movement.

Correlation Between Economic, Political Interests in Country Examined

944E0585A Moscow NEZAVISIMAYA GAZETA
in Russian 11 Mar 94 p 2

[Article by Aleksandr Yakovlev, Russian Academy of Sciences Far East Institute professor: "Economic and Political Interests of the Russian Authorities: How They Do Not Coincide With the Interests of the Opposition"]

[Text]

Carte Blanche

Arguments concerning the precedence of politics over economics and vice versa have been conducted since time immemorial and, moreover, with particular fury in periods of social troubles and a search for ways to get out of them. The present catastrophic situation in Russia and in the space of the former USSR naturally placed this argument at the center of endless discussions on the centuries-old Russian question: "What is to be done?" And it seems that it is already not so much these discussions as it is life itself that answers this question

unambiguously: It is necessary with any measures, right up to extreme ones, to save the economy, and to restore and to develop production at a high tempo, which alone can now extricate the country from the slough of monstrous inflation.

This crying voice of real life is heard by all, but in very different ways. And this does not at all depend on the extent of common sense, professionalism, and people's civic responsibility, but rather on their specific vital interests, which are determined by social position and social inclination. And, according to the letter of scientific truth, the ideology of different social forces and a policy that corresponds to it express these interests in a concentrated way.

At all times those tendencies and processes dominate the economy in any country that responds most of all to the interests of the social stratum or class that has a decisive influence on the character of state authority and, consequently, on its policy. Of course, all of this is political science prescriptions. But, unfortunately, through the efforts of certain interested social circles during the years of perestroika and reforms, such a chaos of ideas and categories was created that people now have difficulty distinguishing red from white and brown, and left from right. As for the usual "isms," they are anathematized and even declared nonexistent in the modern life of humanity. Meanwhile, the "civilized world," which is dear to the heart of our perestroika supporters and reformers, persistently calls its society capitalistic (but the main thing is it considers it to be capitalistic), ignoring the lamentation of our Marxist-Leninists that somewhere just "over the hill" genuine socialism is blossoming. But God will be their judge. But this is not what the question is now.

It is about something else—about the correlation of political and economic concerns of our Russian authorities. Only a blind person may not see that they are working most of all on problems of self-reinforcement. This is its highest and truly vital priority today. The economy as such and the distress of the people is of interest to them only to the extent they do not prevent them from concentrating efforts precisely on this priority. But its reliable guarantee consists first of all on a rapid expansion of social support of the authorities in the form of important entrepreneurs and numerous small and average knights of profit who will staunchly defend their just acquired "beautiful life" and a government that opens the way for them to such a life. Hence, the destructive pace and scales of privatization of the economy of the country, and hence the almost unlimited scope for the purchase and sale of all and everything for the enrichment of the leaders of the excessively growing bureaucratic apparatus.

But, of course, in trying to entrench themselves forever, the current Russian authorities are trying in every possible way to develop friendship with the "fraternal" West. Reliance on its assistance and defense is so great

that these authorities did not and will not spare the price. But the price here is well-known—economic and every other kind of dependence on it for a “reviving Russia.” While perfecting the priceless moral-political support of the “civilized world,” vividly and opportunely demonstrated by it in the tragic days of September-October 1993, the Russian powers that be are trying to impede the objectively necessary transformation of the CIS into a real union of states in every way possible, for such a prospect is interpreted in the West as “the worst nightmare of all possible nightmares” in this world, with the exception of a nuclear war.

The proposals of Kazakhstan in the spirit of this prospect have long ago and openly been ignored by Moscow, and the decisive integrational initiative of Belarus was met with hostility by those influential figures who did everything to bury the idea of an “all-Union ruble space”; that is, to destroy one of the most important economic prerequisites for a political reintegration of the former Union republics.

In the light of the aforementioned understanding of the priorities of today’s ruling elite, at the very least the endless reproaches directed at it on the part of our multicolored opposition look naive in that it, this elite, was formed out of loonies and professionally incompetent people.

The most urgent task of our reformers is to achieve the irreversibility of social processes in Russia and to bring it into the club of “democratic” states at any price. Only a bourgeois Russia can be brought into this club, but it is not entirely mandatory that it be independent and prosperous and, what is more, strong and possessing a powerful defense potential. With these kinds of parameters, Russia is not wanted in this club. And when “Russian opposition to its majesty” in the person of Skokov complains about the fact that “there has really not been any real reformation as such” and that, he said, as a result of the spontaneous process there has been some kind of restructuring of economic management “that still has not led to anything intelligible,” then the impression is created that it will be difficult to free it, this opposition, from professional economic blindness. Does it really not see that the reforms, of which there did not seem to be any, changed the socioeconomic essence of Russian society and the state system of Russia in a radical way? There also were the kind that in their results were equivalent to a revolution or a counterrevolution.

And now the whole problem is only whether the social upheaval in Russia will turn out to be bourgeois-nationalistic or openly colonial-comprador in the final analysis. It appears that Yuriy Skokov and his like-thinkers in the Federation of Commodity Producers they head were hoping for the first variant. But then he, in private, should more carefully weigh the real reasons for his dismissal from key posts in the government. If this variant would be necessary to those circles that now determine the domestic and foreign policy of the country, then it cannot be ruled out that he specifically,

Skokov, would be sitting now in the chair of the prime minister, devoting all of his official time to the restoration and development of commodity production and the creation of hothouse conditions for an industrial bourgeoisie, and not for a more quickly maturing trade-money lending bourgeoisie. But he is not sitting in this chair, inasmuch as the political elite of the country does not now stand in need of patrons from the commodity producers.

Generally speaking, the need for workers of such an orientation and such an economic mentality may not even surface in Russia in the foreseeable future. A majority of them are not capable of building a colonial-comprador model of the economy, a model which, as the most likely, shines through everything that is being done and is occurring in politics, in society, and in the economy of the country, and also in its relations with the near and far abroad.

A genuinely creative stage in the development of the economy of Russia can arrive only when the question of authority, that is, the most important political question of contemporary Russian life, is finally and reliably resolved either in favor of the national-patriotic strata of the rapidly forming bourgeoisie, which, out of necessity, will push aside from the state helm the pioneers of bourgeois restoration who are too closely tied to the West, or in favor of the supporters of a socialist orientation who are now capable in an incomparably greater measure than before to combine it with the priority of national-state interests. (In the latter case, it is a question actually of the Chinese variant of implementing the socialist choice on the path of development of a market economy.)

The appeals of the government and of the multifaceted opposition for reconciliation no matter what happens—and history indicates the nature of these appeals with the political amnesty in February of this year—undoubtedly make considerable social sense at the present time, when there is yet another regrouping of sociopolitical forces in the country. But the contradictions in society that were created by perestroika and reforms are too deep for these appeals to play a substantial role in maintaining political stability in the country in the long term. Without significant adjustments in the positions of the government in the spirit of national-patriotic demands, or without a really meaningful personnel renewal of the authority structures in the very same spirit, social accord in Russia will be unthinkable.

Any programs, even the most effective ones for getting the country out of the crisis, will hang in the air, if they run counter to the interests of strengthening the positions of the present authorities, to its sociopolitical objectives, and to its already insurmountable engagement with the West. Consequently, in the near foreseeable term, the main line of struggle for the revival of a powerful and prosperous Russian state, as previously, will lie in the political and by no means in the economic sphere. And the endless claims of officials and of the

mass media close to the authorities that the people are tired of politics are called on precisely to disorient Russians with respect to the location of this main line.

Hearings, Commentary on 'Nonpayments Crisis in Country's Economy'

944E0608A Moscow KOMMERSANT-DAILY
in Russian 15 Mar 94 p 3

[Report and commentary by KOMMERSANT-DAILY political department: "Nonpayments Crisis; National Security Still Secure"]

[Text] The hearings that were held yesterday in the Federation Council on the subject of the "Nonpayments Crisis in the Country's Economy," organized by the budget committee of the Federation Council with the participation of the Economic Reform Committee and representatives of the government, were the authorities' first official reaction to the president's statement that the "nonpayments crisis is assuming a political character and becoming a threat to the country's national security." Nevertheless, the general tone of a majority of the speeches was not equal to the dramatic nature of the president's message.

Opening the hearings, Nikolay Gonchar, chairman of the budget committee, noted that despite repeated attempts to resolve the nonpayments problem, the situation remains critical. It is already a question of an insolvency crisis as a whole.

On 1 January 1994, overdue accounts payable amounted to more than 16 trillion rubles [R] (7.1 percent of GDP). Overdue accounts receivable reached R18 trillion. State indebtedness for military deliveries totaled R876.4 billion, and for grain purchases—R620 billion.

Andrey Kazmin, deputy minister of finance, noted that the nonpayments situation (although, according to his words, their absolute magnitude has decreased in comparison with January of last year) was negatively affected by nonfulfillment of the budget for 1993. Nevertheless, he expressed the firm conviction that in the first quarter the Ministry of Finance will gradually pay off indebtedness to the branches for the past year, thanks to centralized credit granted by the Central Bank to cover the budget deficit. Among other measures in the struggle with nonpayments he mentioned the extension of credit to the end user within the framework of one branch and "intensifying control over pumping money into hard currency and deposit accounts."

In contrast to the speech by Kazmin (whom more restrained members of parliament called "a little boy"), the speech of Mariya Paramonova, deputy chairman of the Central Bank of Russia, was greeted more favorably. After noting that the problem of nonpayments is a problem essentially of state enterprises (the net surpluses in the accounts of commercial enterprises total R22 trillion), Madame Paramonova declared that the task of the financial organs is to stimulate the use of free

resources. In her opinion, the problem of nonpayments has a structural character, and it is impossible to resolve it only by an interbranch offset. The recommendations of the Central Bank looked somewhat old fashioned to a majority of the deputies: strengthen financial control over the activity of enterprises, enter a line in balance sheets "sold for cash," clarify which kind of enterprises are profitable and which are not, lower the tax rate on profits to 20 percent for enterprises that are experiencing a shortage of circulating funds, with an assignment of part of the income from this tax for their replenishment, reorganize RKTs [cash account centers] into clearing centers, and also restore the priority schedule of payments. All of this, it is true, will require changing at minimum 20 legislative acts.

Sergey Ignatyev, deputy minister of the economy, had his own approach to the problem. After self-critically admitting that the government's debts constitute 50 percent of the volume of nonpayments, he declared: As long as the government takes unfulfilled obligations upon itself, inflation and nonpayments will continue. To fight nonpayments, Ignatyev proposed the following scheme: An additional account is opened for each enterprise where it has a settlement account to which resources of the centralized credit of the Central Bank are deposited to pay off indebtedness. After the conduct of settlements, surplus resources are transferred to the main account. Only in this case, in the opinion of the Ministry of Economics, will the long process of paying off indebtedness not cause long-term inflationary consequences.

Yesterday's hearing, in fact, was limited to a demonstration of the various approaches of various structures of the executive authority to the problem of nonpayments. It is apparent that neither the executive nor the legislative authority are yet ready to resolve the problem of nonpayments in a radical way—through bankruptcy of insolvent enterprises. They are continuing to search for "milder" ways. The hearings will continue next week, and it can be expected that the positions of their participants will become more radical over time.

Commentary

The first stage of the hearings "Crisis of Nonpayments in the Country's Economy," which took place in the Federation Council at the initiative of its participants, graphically demonstrated not only a lack in the government of any kind of integral concept for solving the nonpayments situation that has developed, but also the fact that it does not intend to allow legislators to get near a resolution of this question. As early as in the morning, learning of this measure in the Federation Council, First Deputy Prime Minister Oleg Soskovets announced at his news conference that nonpayments are a matter for the government and not the parliament. Prime Minister Viktor Chernomyrdin (who, like Soskovets, also received an invitation to these hearings) also did not consider it necessary to attend them. Attendees at the

hearings came to the conclusion on this basis that the executive authority simply had nothing to say.

Meanwhile, it can be stated that the first stage of the hearings aroused great interest among high-ranking representatives of the industrial managerial elite. Present in the chamber were Minister of Fuel and Energy Yuriy Shafranik, the heads of administration of many Russian regions, deputies of both chambers, and plant directors—in other words, all those who felt that they were suffering most from nonpayments in the current situation. Taking this into account, the conclusion can be drawn that the initiator of the holding of the hearings—the budget and finance committee headed by Nikolay Gonchar—in fact brought additional political attention to the upper chamber of the Federal Assembly by demonstrating that he is capable of asking sharp questions independently, without asking for the preliminary approval of the executive branch. Grounds for assuming the opposite were provided as far back as the election of the speaker of the Federation Council, when the executive branch succeeded in ensuring the victory of Vladimir Shumeiko. The Federation Council also undoubtedly acquired some moral capital, by showing that it is far more concerned about the situation that has developed in the economy of the country than the government.

However, Nikolay Gonchar did not begin to place the committee in opposition to the government. Having reproached the Council of Ministers for not yet developing a concept for combating nonpayments, Nikolay Gonchar declared that this problem will be resolved successfully only in the event that the efforts of the “profile” departments, the legislative, and the executive authorities are united. It is obvious that this is also a bow in the direction of regional leaders who still see in government authority the only method of solving their material problems. The capabilities and opportunities of the Federation Council, judging by everything, remain unclear for them.

Privatization of State Enterprises on Rise

944E0582A Moscow *SEGODNYA* in Russian
10 Mar 94 p 2

[Article by Gleb Cherkasov: “Number of Privatized Enterprises Increasing—Center for Privatization Wants To Help With Knowledge and Money”]

[Text] Maksim Boyko, general director of the Russian Center for Privatization, held a briefing at which he shared his impressions regarding the course of privatization in Russia, provided an assessment of results already achieved, and related plans for the near future of the center he heads.

In Mr. Boyko's opinion, the privatization of large and medium-scale state enterprises is proceeding with ever increasing success. As of today, 10,000 enterprises, at which 11 million workers are employed, have been privatized to the extent of 70-80 percent. If the present

rate is maintained—and right now about 900 enterprises are being privatized monthly—by the middle of 1994 they will number 13,000-14,000. In Mr. Boyko's words, the number of shareholders in Russia comes to 40 percent of the populace—much greater than in the United States or England—and development of the securities market is exceeding all expectations.

The holders of enterprise stock can be divided into three groups, the general director stated. The first group, the largest, comprises labor collectives themselves, which hold more than 50 percent of the shares, as a rule. The second largest group with respect to number of acquired shares consists of major commercial structures which purchase shares of enterprises at auctions. Finally we have the third group, consisting of ordinary citizens.

In discussing the present state of privatized enterprises, Maksim Boyko cited data from a sociological survey conducted by the fund jointly with the World Bank. We see that 60 percent of enterprises have started changing the selection and composition of their production output, have replaced their suppliers of raw materials, and have set about reducing the number of persons employed in production. In Mr. Boyko's opinion, enterprises converted to joint-stock operation and partially privatized enterprises have been released from the guardianship of sector ministries, and now independently determine their future plans. It is likely that in the near future, some privatized enterprises will begin issuing new securities. They require financial and consultative assistance, however. The Russian Center for Privatization intends to assist them in this.

In the words of Maksim Boyko, the center is developing programs that should provide enterprises all the information they need to exist under free market conditions and help find foreign partners and investors. Last year the “Big Seven” allocated \$3 billion to establish the Fund To Assist Privatization. It is expected that a portion of these funds will go toward “technical assistance” programs. In addition, three regional funds are being established: the Mid-Russia, South-Russia, and St. Petersburg funds. According to Mr. Boyko, it is planned to create similar funds in other regions.

Concerning the activity of check investment funds, Maksim Boyko surmised that the most solid funds would now start a search for their own character, reducing the selection of securities they have and gradually shifting over to narrow specialization.

Contradictions in State Privatization Program Cited

944E0591A Moscow *EKONOMIKA I ZHIZN*
in Russian No 10, Mar 94 p 9

[Article by O. Osipenko, general director of Rinkon consulting company and president of Audeks auditing firm, and M. Margolin, director of the *EKONOMIKA I ZHIZN* Economic and Legal Consultation and Business

Information Agency's legal center: "State Privatization Program: Internal Contradictions"]

[Text]The State Program of Privatization of State and Municipal Enterprises went into effect beginning 1 January. One has to admit with regret, however, that the long-awaited and finally adopted state program has inherited two main shortcomings from its 1992 predecessor. Namely, failure to describe the main mechanisms for implementation of a score of requirements defined in a most general form, and obvious and hidden contradictions.

Without claiming an exhaustive analysis of the document, we would like to offer some comments on individual provisions of the state privatization program.

I. Buyout of Land Lots

The most impressive example of imperfections of the former kind is the remaining uncertainty in the matter of buyout of land lots by privatized enterprises. Can one use privatization vouchers for buyouts? If so, to what extent (along with rubles)? In what form should one apply and what is the time frame for review? Which precise property fund (oblast, rayon) is the seller? (The state program mentions "corresponding property funds.") What are the procedures for interaction between rayon and city land use committees and property funds in the buyout process? Does an enterprise acquired in the process of privatization as a single property complex won in a bid or at auction have the right to buy out the land lot? (It is easy to see that the existing norm in the current law, duplicated by Article 5.3.7. of the state program—regarding the requirement that more than 80 percent of shares of privatized enterprise must be first sold for vouchers—covers only facilities converted to joint-stock holding.) The answers to these and many similar questions remain up in the air. As do the proclamations of the official ideologists of privatization of enhancing its attractiveness through state emission of "land privatization vouchers."

II. Reorganization of Enterprises Undergoing Privatization

Neither are many practical problems of privatization removed by another provision literally borrowed from current economic legislation—that structural subunits are not permitted to be separated from privatized enterprises (with the potential autonomous privatization of these subunits) if they constitute "a single technological complex." Skipping the interpretation of the latter notion, the program provides poor aid to the work of commissions on arbitration of disputes between state enterprises and their subunits, which currently act under the guidance of the joint directive of the Russian Federation GKI [State Committee for the Administration of State Property] and Russian Federation GKAP [State Committee for Antimonopoly Policy and Support of New Economic Structures] No. LB 4953 and No. 1898-r, dated 3 November 1993.

III. Sale of Equity (Interest, Shares) Owned by the State

Despite outward operational simplicity, the problem of privatizing state equity in partnerships and joint-stock companies of mixed form of ownership is still shrouded in mystery. Article 5.2 of the program says that the corresponding state equity (blocks of stock) must be sold through auctions and bids. Meanwhile, the procedures for holding them remain unclear, as also the forms and time frame within which the winners in these actions and bids must pay for this interest, information support for this procedure, who may initiate privatization of state-owned equity in joint ventures, limited liability partnerships, joint-stock companies, and so on. It is indicative that this is the only privatization method of those included in the general list that has not received any comments in the text of Part 5 of the state program.

IV. Status of Property Contributions By State Enterprises In the Charter Capital of Other Enterprises

Comparison of the previous (1992) and current texts of the privatization program show that its authors no longer insist that state enterprises' contributions to the charter capital (funds) of enterprises of any organizational-legal form be considered state property and property funds—their legal successors (Paragraphs 4 and 6 of Article 5.1 of the 1992 state program). It is clear that this provision obviously contradicted Article 14 of the RSFSR Law "On Property in the RSFSR," the methodology of appraising state enterprises' property in determining the size of charter capital (Decree No. 66 of the Russian Federation President dated 29 January 1992) and standard privatization plan. However, the problems that have emerged as a result of applying this provision of the old state program last year, for instance, are thereby not resolved at all. The corresponding interest in "business type" enterprises, which at the insistence of some committees and property funds was not included in appraisals, quite often is still carried on joint-stock companies' books. The conundrum of this situation is that now the legal base for transferring the rights to these contributions (blocks of shares) to property funds is absent. The property has in a way ended up in neverland: On one hand, it is not recognized as the property of the AOOT's [publicly held joint-stock company], which are the legal successors of state enterprises; on the other, it has not been really transferred to the funds, which in addition have lost the prospects for a legally documented transfer of the corresponding rights.

From the examples above one may draw the following conclusions. Either the state program's authors assumed in advance that this document cannot, and should not, be a direct-action normative act; or they deliberately gave carte blanche to regional committees and property funds to engage in various sorts of improvisations.

It should be noted that the former hypothesis is only partially supported. Thereby giving legitimacy to the latter. Really, the state program assumes, for instance, that giving officials of bodies of state administration the

role of representing the interests of the state in joint-stock companies' boards of directors, the procedures for maintaining the stockholder register, and the procedure for preparation and conduct of a general shareholder meeting of a publicly held joint-stock company are to be spelled out in special statutes drafted and approved by the Russian State Committee for the Administration of State Property or with its direct participation. One would think that if we just have patience and wait for the issuance of these administrative acts, complete harmony will come to reign in matters of the mechanism of implementing the corresponding requirements of the state program. Alas, this is only a first glance and incorrect impression. No matter how perfect from the standpoint of corresponding procedures these documents may end up being, their authors clearly will attempt to keep them from contradicting the main text of the state program. Thus frequently driving future executors up a normative dead end of sorts.

V. Joint-Stock Company Administrative Bodies. Stockholders General Meeting

Let us pay attention, for instance, to the fact that the first of the aforementioned statutes, whose development is envisaged by Point 3 of Article 2.3 of the state program, will include the institution of representing the holder of the controlling share of stock in a joint-stock company—the state—for some reason only on the board of directors. At the same time, the procedures for their participation in general meetings of stockholders apparently remained undefined. The same is confirmed, by the way, by another provision of the same point of the state program, which says that officials of bodies of state administration will represent the interests of the state in the boards of directors on a contract basis. Does it follow from this that the right to vote for the corresponding share of stock may be given to other functionaries of corresponding departments? Can the state be represented at general stockholders meetings, in the event the controlling share of stock is "frozen" in state ownership up to three years, by, for instance, representatives of holding companies or FPGs [financial-industrial group] operating in the same sectors as the joint-stock company? Answers to these and similar questions apparently take us into the sphere of rather creative interpretations of the program. In any case, the second provision of Article 11.4 ("Representatives of the administration and employees of joint-stock companies cannot act as representatives of the state at shareholders meetings and on the board of directors") appears to mean, after all, representatives of this particular joint-stock company.

The latter assumption, however, is based only on a common sense judgment. Unfortunately, the program authors, while including in it some mandatory provisions, clearly forgot about this. This involves, in particular, such requirements enumerated in Point 9 as mandatory mailing to participants in the general shareholder meeting materials on the meeting agenda, including ballots for voting in elections of the audit commission.

The point is that by its legal and commercial nature, most plans for shareholder meetings are of a confidential nature (first and foremost with respect to setting up new enterprises on a shared basis with other partners; board of directors and audit commission's reports, which enumerate joint-stock company clients; some especially sensitive intra-company provisions; etc.). Thus, in attempting to "protect shareholders' rights" in the form of the utmost openness, according to the logic of the state program the joint-stock company's executive bodies must deliberately put themselves in conflict with investors and partners in cooperation.

As to the requirement of mailing electoral ballots for the audit commission's election (assuming, of course, that they will not be blank forms, which would be absurd), this is technically impossible altogether. As is known, current legislation does not contain any restrictions regarding stockholders' rights to be nominated for membership in this control body of the joint-stock company. For instance, current legislation does not have the requirement that the written consent of the nominee must be obtained and the nomination procedure completed one week before the meeting (unlike, for instance, nominations to the board of directors). Which means that stockholders may nominate their representatives to the audit commission right at the meeting. What is the point then in mailing the ballots home?

Another item that clearly contradicts common sense and current legislation is the restriction contained in Point 9.10.6 of the state program with respect to converting publicly held joint-stock companies into privately held joint-stock companies and limited liability partnerships (and all publicly held companies at that, not only successors to state-owned enterprises); and the quotas on membership of outside investors in their boards of directors. The point is not that these bans are easy to circumvent (which is precisely what happens in practice). The issue is whether we should expect much of the provisions in the state program given that they have absorbed the norms launched into legislative orbit in total disregard of the entire sum of other current legislative acts, as well as stockholders' true—not perceived—interests.

The answer to the latter question suggests that as in 1992-1993, committees for the administration of property, property funds, working privatization commissions, as well as executive bodies of joint-stock companies will have to resort to quite major improvisations in using the norms of the document under review.

Essentially, one is led to this conclusion also by direct contradictions within the state program, of an internal nature, and the different interpretations that are inevitable in comparing it with other normative acts.

An example. According to Article 17.5 of the state program, activities of unregistered financial-industrial groups are not permitted. Meanwhile, this does not follow from the main document regulating the process of

creation of FPGs—Edict No. 2096 of the Russian Federation President of 5 December 1993. The functioning of full-fledged FPGs, as long as they do not claim the right to use in their company name the words "financial-industrial group," and the corresponding state preferences for those that have been approved by the State Committee on Industry, is not forbidden at all.

Implementation of Federal Principles on Budget Protested

944E0599A Moscow ROSSIYSKIYE VESTI in Russian
16 Mar 94 p 2

[Article by Igor Petrov: "Local Authorities: Many Rights But No Money"]

[Text] The principle of federalism in forming Russia's state budget is based on one firm postulate: Having received substantial financial independence, local authorities assume increased responsibility for the state of affairs in their region. It would seem that this is a completely sensible and well considered approach: New rights entail new obligations. Indeed, when matters take such a turn, the center begins to have fewer headaches regarding what, how and in what amounts to finance this or that in Taldom or Kostroma.

But in practice, as often happens, a good idea for some reason unfailingly takes a negative turn. The authorities in small cities and settlements, instead of an easing of the federal tax burden, which permitted them to hope for resolution of many local issues, acquired a whole pile of new problems without any financial levers whatsoever. Figuratively speaking, it was proposed to the local authorities that they swim a hundred meters but it had been forgotten to untie their hands first.

Such are the basic themes in the open letter sent to the leadership of the country by the chairman of the Association of Heads of City and Regional Administrations of the Moscow Oblast Roman Popkovich. It is reported in the letter, in particular, that the change in the norm for payments to local budgets from various kinds of taxes, designated by the President's December edicts, is leading to a situation where even such a rich oblast as the Moscow Oblast, which gives the federal treasury almost half of its income, cannot now get along without substantial subsidies.

Moscow Oblast's budget deficit under the new normative payments, according to R. Popkovich, will increase in 1994 by at least one trillion rubles. This will make it impossible to finance departmental residential housing and social cultural-facilities that have been transferred since January of this year to municipal ownership.

Only retention of differentiated norms for payments from federal taxes into the budgets of the regions, in the opinion of the members of the association, can provide a way out of the situation that has been created. For the Moscow oblast, these payments should be no less than 75

percent with respect to the value added tax (VAT) and a full 100 percent with respect to the individual income tax.

A letter from representatives of the executive authorities of the Moscow region, which is filled with disconcerting forecasts, was written immediately after the draft of the federal budget, prepared by the Ministry of Finance, had become public. According to the letter, almost 13.4 percent of gross domestic product (GDP) is allocated for support of the territories. This is a gigantic sum, if one takes into account that the slogan of the federalization of the budget, as has already been stated many times, was supposed to become the fundamental watchword of the government in 1994. In other words, the local authorities are to rely on their own financial resources. But for many regions, these resources, as is rapidly becoming clear, are catastrophically insufficient.

Thus, according to data for January to November 1993, the federal budget transferred 2.4 trillion rubles to territorial budgets on the basis of mutual settlements, 967 billion rubles in the form of subventions, and—to certain regions for resolving "burning" issues—103 billion rubles in the form of short-term loans. In the fourth quarter, the volume of funds allocated from the center sharply increased, totalling 2.6 billion rubles [as published], or 11.7 percent, of the total expenditures of the Russian budget.

But how can the level of social security for the population of the country be effectively equalized if certain subjects of the federation (Tatarstan, Bashkortostan, Chechnya) have directed practically all taxes they have collected into the budgets of their own territories. Last year, for example, 100 percent of the profits tax, 99 percent of the VAT, and 94 percent of excise taxes were transferred to the budget of the Republic of Sakha (Yakutiya). In the Republic of Karelia, the corresponding transfers to the budget of the territory were 96 percent, 92 percent, and 91 percent. And, nevertheless, this was not enough money.

As you know, over 51 percent of the total expenditures from the consolidated budget goes to expenditures from the federal budget. Twenty-eight percent of all revenue was allocated from the resources of the federal budget just for the support of the national economy in 1993. This money is used to help the coal industry, the agro-industrial complex, the defense complex, and many other entities.

Will the local authorities be able to cope with the economic and social problems of their own territories? They should be able to. In any case, they say they can. But in order to do so, as a minimum, they require more financial and taxation independence. The federal government, it seems, should provide them such an opportunity. Local leaders will then not have reason to make declarations about the "tax robberies" of the center.

Then, perhaps, we will forever rid ourselves of the currently appealing watchword of oblast and regional "independence."

Committee Chairman Views Budget Problems

PM2303161994 Moscow TRUD in Russian 23 Mar 94
p 2

[Interview with Mikhail Zadornov, chairman of the Russian Federation State Duma Committee for the Budget, Taxes, Banks, and Finances, by political observer Vil Dorofeyev; place, date not given: "Must We Live Without a Budget Until the Summer?"—first paragraph is introduction]

[Text] Mikhail Zadornov, chairman of the Russian Federation State Duma Committee for the Budget, Taxes, Banks, and Finances, answers questions from political observer Vil Dorofeyev.

[Dorofeyev] We are coming to the end of the first quarter of 1994. But as far as I know, a draft budget has not even been examined at sessions of your State Duma committee.

[Zadornov] The country is "crawling" into the second quarter without an approved budget. Six weeks have been set aside for the review procedure in the Federal Assembly's lower chamber, but you should add another two weeks to enable the Federation Council and the president to carry out the same work. Which means that, even in the most favorable conditions, a draft budget cannot be approved before the end of May. But this is the most optimistic scenario. As you know from press reports, the draft budget is the object of much fierce fighting within the Russian Government. The story of 1992-1993 is being repeated, when a delay in submitting this extremely important document for the country to parliament meant that it had to be examined in double-quick time, which subsequently resulted in major amendments to and disruption of all the work that was required both to prepare and to implement the draft budget.

[Dorofeyev] This seems to be yet another negative tradition in post-Soviet Russia. What is its primary cause?

[Zadornov] Ignorance on the part of the executive of the law on the budget structure and the budget process in the Russian Federation. Some may retort that last year's budget and this year's were submitted to parliament behind schedule owing to objective factors of our internal political life. But there is nothing more pernicious than ignorance of the law in the name of day-to-day expediency. Unfortunately, precedents such as these become implanted in the mentality of state figures and are transformed into negative habits.

[Dorofeyev] In other countries the budget is the basis of everything. What about our country?

[Zadornov] The budget should also play the same role in Russia. Since there are no more state plans, there is only an economic forecast for the current year prepared by the government. The budget is therefore a fundamental document which determines the country's economic policy. In my view, the lack of a draft budget at the proper time is in many ways indicative of the fact that the present government also lacks a considered and consistent policy.

[Dorofeyev] Let us assume that you are not familiar with the main points of the future budget. But in your view, what should the fundamental principle of this document be?

[Zadornov] First of all I would like to get an answer to a question that is fundamental in my view: What is the government's current policy? I would like the draft budget to shed light on the overall approach to economic policy and I would certainly like it to envision groundwork for the future. For example, priorities in the structural restructuring of industry and priority social programs. In order to make it clear which sectors or groups of enterprises are known to be unprofitable and likely to go bankrupt. As a result of this, we can realistically anticipate how much unemployment to expect and how much money the government will need to spend in order to alleviate the negative consequences of these processes.

Second, I would like the present budget to be realistic. Just look at the budget transformations we witnessed in 1992 and 1993. Initially a very tough budget was approved. At the same time it was stated that inflation would be between 3 and 5 percent by the end of the year. But already by the following month, and two months later at the most, the government itself started to ignore the budget it had approved. And then we had a chain reaction on our hands.

What disturbs me most in the draft of the present budget? The promise that yet again we will witness 3-5 percent inflation by the end of the year. I would prefer to see a slightly larger budget deficit in the draft, provided there are specific indications that it is required to implement social programs.

[Dorofeyev] Does it not seem to you that the budget deficit is a bit of a bugbear? America lives with a budget deficit.

[Zadornov] Not just the United States. Last year the British budget deficit amounted to almost 9 percent of GDP. The Italian and French deficits are at least 5 percent of GDP. Although countries which have expressed a desire to join the European Currency Union have been presented with the condition that they must limit the size of their current budget deficit. With the exception of two or three states, no country in West Europe can be said to belong in this category. Because a budget deficit is a big problem for any state and it cannot be resolved in a year.

[Dorofeyev] On 3 March we were shown a government session on television. A number of fat volumes were lying on the premier's table. The newsreader announced that the draft budget had basically been approved by the government. And then the press flashed reports that the Ministry of Defense, the agrarian lobby, and many others were unhappy with the agreed budget.

[Zadornov] You know, in any country the budget is a document that cannot please everyone. Because there will always be differences of opinion between the budget planners and the demands, submissions, and proposals of ministries, departments, and social groups. The latter group always asks for more whereas the former allocates less. But the fact that the draft budget had basically been approved by the government 3 March demonstrates something quite different: Nobody in the government was able to suggest any serious, comprehensive alternatives to the agreed version of the budget. Even though the Ministry of Finance and the Ministry of Defense, in particular the State Committee for the Defense Sectors of Industry, have major differences of opinion about this draft of the budget.

But I am interested in the position of the government chairman as the conductor of economic policy as a whole. The financial element is undoubtedly important, and the size of the planned budget deficit and the inflation rate are equally important indicators which act as guidelines. But they should be factored into the very economic policy which provides answers to the questions: What will the country live on for the specific year in question? On export sectors? Which ones exactly? How will income be distributed? How big will the Army be and how will Army cutbacks be implemented? How will we begin to implement the mine closure program, for example, which the government has planned to carry out before the year 2000?

You must understand that I am using a few examples to demonstrate that this document should contain answers to issues relating to the development of the economy as a whole and the development of its most important sectors, while at the same time it should enshrine mechanisms for redistributing financial and labor resources. In other words, the budget should not be approached from rigid positions.

[Dorofeyev] If you had to work on the draft, what guiding principles would you use to agree on an acceptable budget for the country?

[Zadornov] In the current year, unfortunately, there is little that can be changed. But if I were to take part in preparing next year's budget, I would put the accent on cutting expenditures, which is an important objective in itself, and on relieving tax pressure. It is already clear that we have already completely exhausted the policy which has been pursued over the past two years, that of increasing the tax scale and beefing up the ruthless penalties for late payment of taxes. We must therefore avoid any abrupt changes in course and switch gradually

and carefully to a policy of reducing the tax burden. I would reduce the tax on profit, for example, if profits were to be used for investment purposes.

A second aspect of this problem is the fact that some enterprises, particularly those engaged in foreign economic activity, have avoided paying taxes. It is unlikely that administrative or fiscal measures will achieve anything in this instance. We apparently require some sort of social contract between the State Taxation Service, the Ministry of Finance, and the tax police—basically, between government as a whole and business. I think that directors of major enterprises and businessmen have a very good idea about the tax threshold which would be acceptable to them in the present circumstances. If we agree to this threshold, or even to a figure slightly above it, then I believe that by cutting taxes we would gain rather than lose because the total volume of revenue would increase.

Finally, the problem of the regions. Some of them have special tax arrangements whereby they do not consider it incumbent upon them to pay federal taxes. The whole tax-break system is far from sound. Tax breaks as a whole represent colossal sums. Someone has to make the political decision to make all components of the Federation equal in terms of budget and taxation arrangements. All should pay taxes into the federal budget and pay them on equal terms.

[Dorofeyev] Let us come back to the "94 budget." This budget stipulates, for example, that only 0.3 percent of GDP has been earmarked for cultural needs, and a slightly larger sum is to be spent on science. Is this right?

[Zadornov] No. But this is a problem of priorities. I believe that culture, science, and education form one of these priorities. This is the foundation of the country's future. Our "Yabloko" [Yavlinskiy-Boldyrev-Lukin] bloc would also add children's health care to the list. Here too, we believe, these priorities should not be dependent on overall shortfalls in revenue; they should be protected by specific statute.

[Dorofeyev] But who will determine the priority approach and how?

[Zadornov] This is a question of state policy. It is the state's business to formulate clear and lucid criteria and a procedure which enables these criteria to be discussed in society and the appropriate state organs. Incidentally, in discussing the draft budget our committee intends to listen to and take account of the opinion of all committees and commissions. We do not have much time, but we will hold fairly wide-ranging parliamentary hearings into this problem.

Shumeyko's Proposal to Introduce Economic State of Emergency Criticized

944E0604A Moscow *SEGODNYA* in Russian
17 Mar 94 p 1

[Article by Rustam Narzikulov: "The Federation's Trojan Horse"]

[Text] The statement of the chairman of the Council of the Federation about the need to introduce emergency measures in the economy has been highly surprising considering the comparatively favorable results of the work of the renewed Chernomyrdin government in January-February of this year.

The average rates of monthly inflation came to 17 percent during this period while in February they fell below 10 percent for the first time since the liberalization of the economy.

Most likely Shumeyko was shaken by data concerning the drop in industrial production in February 1994 by 24.1 percent in comparison with the analogous period of last year, as a result of which the proposal to quickly change something in the management of the economy has been born. But if the speaker of the Council of the Federation would have had a bit of time free from important state meetings then he would have, first, paid attention to the regular January "collapses" in industrial production constantly repeating in recent years.

Without regard to the causes of the fatal dislike of industry for the first month of the year (and they, of course, are not in the large number of New Year celebrations, since the average-daily January indicators also demonstrate the same tendency to fall) precisely January exerts a decisive influence on the entire annual dynamics of the gross indicators. All the remaining months are characterized by an absence of jumps in production and, based on the year's results, the gross economic indicators produce a picture differing insignificantly from that of January.

So that Mr. Shumeyko needed to propose emergency measures in the economy a month earlier. Now his initiative looks economically somewhat strange, especially based on the fact that in February the volume of industrial production... grew by 2.3 percent in comparison with January. Well, if one is to be quite precise, then proposals about introducing emergency measures in the economy were more appropriate after the January drop of a year ago. Then there also was another speaker, and the deputies acted differently towards the possibility of abrupt movements in the economy. Legislative support of emergency measures in the economy would have been unquestioning.

How poorly does the speaker of the Council of the Federation reflect economic reality, so well does he relay the lobbyist moods of the masses—there cannot be another reason for discussions about emergency measures in the economy. To the typical deputy-dilettante,

cries about the growth of non-payments and the drop in production seem to be the most favorable occasion for demonstrating concern about the domestic economy.

It is unimportant that non-payments are the ordinary situation of the lack of effective demand (and there exist rather simple and well known methods for clearing up the finances of bankrupt enterprises) and that the size of the drop, not even touching upon the inadequacies of this aggregated indicator, demonstrates the absolute need for structural changes in the economy (this refers primarily to the military-industrial complex), et cetera, et cetera. For the deputy-dilettante, the chief thing is to declare threateningly about his feelings about approaching catastrophe and to "offer proposals."

Since the deputy-dilettante knows no other "proposals" except emergency measures in the economy, the formidable weapon in his opinion—the words "emergency," "urgent," and "freeze"—is extracted from his vocabulary.

The lack of the habit of analysis does not permit such a deputy to understand that, in initiating the introduction of emergency measures in the economy, he not only condemns the country to economic chaos but also digs his own political grave. You see, the executive power (a government, president or simply a dictator), having received the okay for emergency measures has no more need for legislators and legislative supervision. It is not to be ruled out that Mr. Shumeyko also will be able to carry out in such a situation the third in his life parliamentary-governmental game of musical chairs. But it is hardly worth doubting that from the moment emergency measures in the economy are introduced the remaining deputies will have to seek new work.

Deputy Finance Minister on Measures To Enforce Tax Payment

944E0588A Moscow *EKONOMIKA I ZHIZN*
in Russian No 10, Mar 94 p 5

[Interview with A. Vavilov, first deputy minister of finance of the Russian Federation, by V. Andreyev; place and date not given: "High Taxes or High Responsibility?"]

[Text] The problem of nonpayments can be called one of the main ills of the Russian economy which also affects the fiscal interests of the state—many enterprises simply stop paying taxes, the absence of funds in their settlement accounts being given as the explanation. At the same time, the potential of regulatory state organs with regard to the nonpayers is quite limited. Our interlocutor, A. Vavilov, the first deputy minister of finance of the Russian Federation, discussed measures that the state intends to take in order to restore order in this area.

[Andreyev] Andrey Petrovich, how could a situation emerge in which even the tax inspector is not in a position to collect the amount of taxes due from an enterprise?

[Vavilov] The essence of the nonpayment problem is in the fact that enterprises are no longer held accountable for the nonpayment of anything. In conjunction with a lack of funds, they do not pay taxes to the budget, do not pay their suppliers for goods and services, and so on. At the same time, some enterprises have, in addition to the settlement account, foreign-exchange, deposit, and other accounts to which the tax inspectorate has no access.

Besides, even the most inveterate nonpayers as a rule own certain property that is not directly related to production operations—passenger cars, and so on. Even in a case where the bank has on file the demand of the tax inspectorate to debit funds without acceptance, an enterprise will manage to acquire such property or make other payments (for example, pay bonuses to its employees) bypassing the settlement account. Under the current procedure, the tax inspector who represents state power is powerless.

[Andreyev] However, if someone is not in a position to pay his debts in a normal economy, he may simply be declared bankrupt. Even here a creditor is entitled to bring a relevant lawsuit in the court. Can the tax service be empowered to at least act as a regular creditor does, and can a debt to the state be considered possible grounds for making a claim for all property of the enterprise?

[Vavilov] This is precisely the essence of measures proposed by the Ministry of Finance and the Central Bank of Russia in order to create an effective system for the collection of taxes. First of all, the tax service will be granted the right to levy execution upon any accounts of a given legal entity or individual in the event that taxes are not transferred to the budget in a timely manner. The tax inspectorate will also be granted the right to confiscate toward the unpaid taxes a proportion of the property of enterprises which is not directly related to the main line of production. Finally, in the extreme case that these funds for the settlement with the budget are lacking, reorganization measures or bankruptcy procedures may be used against the enterprise.

Of course, the latter scenario is quite painful and undesirable, but it will be used unequivocally against enterprises whose debt to the state and whose financial situation leave no hope for the normalization of the situation.

We also plan to introduce certain punitive sanctions to be used against companies implicated in the violations of disbursement discipline and procedures for settlements in cash. Certain restrictions also existed in this area before, but violators were virtually not liable in any way.

[Andreyev] Are there plans to introduce any new taxes or change their rates, in addition to what was envisioned by the December decrees of the president?

[Vavilov] At present, we are not planning to make any major changes in the tax system itself. As of now, the most urgent task is to create an optimal mechanism for the collection of taxes.

[Andreyev] In what manner will the government solve the problem of mutual nonpayments by enterprises as far as the prevention of the growth of defaulted debt is concerned?

[Vavilov] On the suggestion of the Bank of Russia, a calendar sequence of payments will be introduced. At present a debtor enterprise receiving funds for its products may dispose of them as it sees fit, allocating them, for example, to term deposits or conversion instead of paying the debt whereas in the immediate future, the enterprise will be able to dispose of the funds received only after it settles with the state and other creditors. Even the possibility of introducing a unified bank account with settlement, currency, deposit and other subaccounts is being considered as an extreme measure. Other, less radical scenarios for solving the problem are possible. However, control over the honoring of their obligations by enterprises will be restored, one way or another.

Svyatoslav Fedorov Outlines 'Five Conditions for Economic Stabilization'

944E0597A Moscow TRUD in Russian 17 Mar 94
pp 1, 2

[Article by Professor Svyatoslav Fedorov: "If We Wish To Live Decently....: Five Conditions of Economic Stabilization"]

[Text] I am writing these lines several days after the program report of the president to the parliament of Russia, awaited by everyone, on most important questions of the salvation of the state. But even following Boris Nikolayevich's speech, I believe, the main questions of the country's development and its emergence from the crisis remain pertinent. Urgent, decisive, and unerring actions in order first of all to slow down and then to halt the decline in production are needed. A powerful drive mechanism is needed. Incentives to labor are needed.

Can the state today create the conditions for the most productive labor of each employee? Of course it can! But the following conditions, in my view, are needed for this.

The **first and main condition** is a fair evaluation of the labor of each employee. The utopian socialism of Lenin and Stalin collapsed because Soviet man's vested interest in the results of labor was incredibly low. Labor was essentially compulsory and differed little from camp labor. It has remained such today also, for that matter. Why work hard if this does not bring about a rise in the living standard? The individual's detachment from the profits he produces makes him indifferent to the very process of labor. And, on the other hand, a link with profits from joint labor engenders a desire to work with

maximum input. This is easily achieved with the outfit's lease of the instruments of production or their transfer to joint ownership. It is very important in this case to fairly distribute the instruments of production shares. It is simple and efficient to divide them up according to length of service and pay over the past three or four years. When we retire, no one objects to this procedure then. Why not use it for the distribution of property?

A second version is possible also: the property remains state-owned, but is leased to the outfit for a symbolic fee. In a closed stock company collective property cannot be sold. There is for this reason just one way of living better—working hard and in high-quality fashion. But everyone should be confident that no one can appropriate the results of his labor and should for this know his percentage of the enterprise's monthly profits which it has been decided to transfer to the wage fund. **Only the producers' vested interest in making a profit can raise productivity and labor quality.**

The basis of market price regulation is competition. But what kind of competition can there be in a monopoly state-run economy other than competition between enterprises to raise prices? Whoever raises the most, as at an auction!

I am speaking about indisputable, rudimentary matters, about the thousand-fold tried-and-tested experience of economic development. But we, as always, have our own way. So the market train is idling beneath the magnificent arches of a station called Government Monopoly.

A unique situation has taken shape with us today. The executive has practically abandoned not only our property but also ourselves to the whim of the waves. Consequently, we need to persuade or compel the administrative-bureaucratic machinery to give back, finally, our property directly to the producers and citizens of Russia. We are all the legitimate, direct heirs of our fathers, grandfathers, and great grandfathers. Consequently, we are the owners of this property. There is no need to redeem it: Any plant recoups costs in several years. The years have passed, the plants have been redeemed. And who is to pay? For what? According to what law? After all, the state, represented by its bureaucratic machinery, cannot regard these means of production as its own private property. But it is being grabbed by those who are stronger and more impudent.

In order to change the slave mentality we need to afford the individual the opportunity to dispose of the fruits of his labor. Hand the plants, factories, institutes, and agricultural enterprises over to the people who want to work independently, are not afraid of risk, and believe in their own powers. They would work at full stretch and invent and apply the latest technology. They would work not eight but, if need be, 10 hours. They would cut back on their leave. It would not occur to them to stop production on holidays, and they would not think up new days off for themselves, as is the case now. What

kind of people is it does, having made a hash of the economy, does not work for half a year just about?!

Today the government's statistical office shamefully does not report to us on how things stand with regard to productivity. But we know, in any case, that it has fallen sharply. And whatever reason our economists and political scientists give to explain this, one thing is clear: People no longer wish to plow for others, they wish to plow for themselves. So give them this opportunity!

Second condition. Having tackled the first, most important task, we will realize that this is insufficient. For the worker, even one owning property, can easily immediately be fleeced by taxes, being deprived of the opportunity to make a profit. We know how to suffocate with taxes, we have mastered this art well. It is difficult now to enumerate our taxes, they are more than 15, it seems.

The result is that we punish good work! Heck, we should have Genghis Khan, after all, his "yasak" [tribute] was only one-tenth, only 10 percent! His bureaucrat-brother, on the other hand, 70 percent! He does not understand, this sharp mind, that he is simply undermining the tax base itself, that he is cutting the branch on which he is sitting. That ultimately he will have nothing to collect from anyone.

It is essential that our authorities recognize that **it is rich enterprises, rich works, and rich people who should be the basis of the country's budget.** Let them replenish it with one tax—income tax—and social charges. Previously Russia lived with one tax—a poll tax—and that sufficed. The country's budget should be filled up also by customs duty, a land tax, a property tax, and a tax on the sale of raw material (under strict control, of course) since we are a country that is very rich in terms of material reserves. But collecting profits from moribund enterprises, factories, agricultural enterprises is the same as taking bread away from a participant in the Leningrad blockade.

Dying enterprises are a separate problem. They are on the point of declaring themselves bankrupt, and thousands upon thousands of workers and employees will be unemployed. We will have to pay them enormous sums from our money. But would it not be better today to exempt them from profits taxes and afford an opportunity for the rescue of the enterprises and rectification of their economic position?

Having become the proprietors, the work force should switch to a new type of remuneration of labor. We have over decades become used to obtaining remuneration for labor in the form of a certain ration. This does not work. The remuneration of the labor of each should be part of the income of the enterprise over a particular stretch of time, and at the end of the year, part of the profits used to pay dividends. Fairness in remuneration and economic glasnost are the basis of the high productivity, good conduct, and creative initiative of each member of the work force.

The third condition of success is the maximum encouragement of investments in production. A most important question of the efficient functioning of the economy is the creation of new technology and its purchase overseas. The government must contribute to this to the maximum. Customs duty on new technology should, therefore, be made purely symbolic.

Enormous investments are required for reequipping the plants and factories. According to the most modest estimates, 25 percent of all industrial enterprises should be modernized. And this would cost a minimum of R1.5 quadrillion. The national budget, on the other hand, constitutes R120-130 trillion. Understandably, the state cannot cope with such a task with its forces. But it can create the conditions for large-scale investments of its own and overseas entrepreneurs.

Every year native entrepreneurs take \$20-25 billion out of Russia. This money is going to develop the economies of Western countries, since investing it in production here is unprofitable (and unsafe: It is impossible to predict changes in the economic and political situation).

The entrepreneur needs dependability and stability. So he is taking his capital abroad. So the conclusion suggests itself: Modernization of the existing enterprises and the construction of new ones will only be a reality when it is more profitable for the investors to do this on our territory than in other countries. Investors should be the most esteemed people. They are truly the saviors of the fatherland from ultimate economic and moral collapse. I would recall that even in such economically developed countries as the United States any investor is wholly exempted from a tax on profits for three years, the local authorities help him obtain cheap credit, and he encounters a "green light" literally at every step.

The president and parliament are called upon to urgently pass a law on investments. This law must make the position of investors with us more favorable than in other countries. It is essential to exempt new enterprises from a tax on profits for five years, assist in the purchase of land, and guarantee the supply of energy, water, and other elements of the infrastructure.

Were we to create conditions whereby exporting dollars overseas would be an unprofitable business and they came to be invested in the development of industry in Russia, 500,000 jobs could be organized for this sum annually. And were we to add to this the investments of states and entrepreneurs from overseas, this could ward off the impending unemployment, and in politics, nationalism developing into fascism, for which a slump in production is the most nutrient medium.

The fourth condition of success is connected with the price of raw material. We are doggedly proclaiming our aspiration to move toward free world prices for raw material, without seeing, however, how dangerous this is for the development of our economy. **Successful production is possible only where the price of raw material**

accords with the level of technology and the state infrastructure (roads, power engineering, transport, communications). So free world prices of raw material could simply strangle us. Our producer, still weak, could not create products which could compete in terms of price with the products of more developed countries. This is why it is necessary first to create an infrastructure similar to the world infrastructure and only then to gradually release the prices of raw material.

A tremendous stream of raw material is crossing our borders today, not the export product of our plants and factories. The borders should be closed to unchecked exports of raw material, and it is necessary for a transitional period to establish prices that afford an opportunity for making the products of our plants competitive. Currently, for example, the cost of the VAZ-21099 automobiles on the domestic market is \$10,000, but overseas they sell for \$3,500. It is not hard to understand that the plant costs of raw material (ore, metal, energy) are being covered from the pockets of our citizen.

It should, however, be made clear that there is also raw material whose exportation would be profitable to us in all respects. Thus there are on the Kola peninsula incalculable deposits of the dumping of apatite-cephalin production, with which our industry will never cope and which, moreover, are very harmful environmentally. Exports of these "tailings" or their development would be of great interest to many foreign companies. So total prohibition is needless here. But, in any event, it is essential prior to the achievement of normal market relations to monopolize exports of raw material exports in the hands of a specialized state committee under the strict control of the State Duma.

Fifth and final condition. The country cannot function normally without development of the infrastructure. This means transport arteries, power engineering, the banking system, communications. Substantial capital investments are needed here. No budget resources of ours would be sufficient for this. Consequently, **investments in the infrastructure of the resources of private individuals, enterprises, and foreign entrepreneurs are needed.** This applies primarily to means of communication, without which a market economy is impossible.

The absence of a market infrastructure is severely impeding the transition of the economy of barracks socialism to a market economy. The monopolization by the state, the bureaucratic machinery, in fact, of the entire infrastructure leads to the dictatorship of the official prices of energy, land, and transport. And for this reason not one self-respecting businessman will take the risk of production in our country. Mixed types of ownership in communications, transport, power engineering, and other sectors could ensure stable and competitive prices.

Free labor would afford an opportunity for breathing new life into agricultural production also. The countryside could obtain from the prosperous townspeople more

money for agricultural produce. And this would make it possible to purchase equipment, fertilizer, and lubricants. But until such time as the mass prosperous townspeople appears, there will, of course, have to be substantial government financial infusions also.

All that has been said above could, perhaps, be summed up in just a few words. For a prosperous, decent life each of us must want to work hard. The results of our labor are our main private property. No one has the right to take away our profits without our consent. But instruments, machine tools, and premises are necessary for work. They would belong to us or be the property of the collective or partnership. Raw material should be cheap enough. It has, after all, been produced by nature, it is our common resource. Only in this case can we bring our producer onto the world market.

Generally, together with all, for the good of all.

A simple and precise formula. Why should it not be employed in our country?

Russia's Economic Policy Viewed

944E0575A Moscow *RABOCHAYA TRIBUNA*
in Russian 11 Mar 94 pp 1-2

[Article by Yevgeniy Tyurin, general director of the joint-stock company "Yarenergo": "Where Energy Disappears. A Director's View of Economic Policy in Russia"]

[Text] Everything on earth obeys the main law of nature—the law of energy conservation. It would not be bypassed or skirted.

Manufacturing lives by this law (as one of the forms of its manifestation) in the course of monetary servicing on the market. The formula is simple: The stock of goods times the price equals money times the velocity of circulation. It is impossible to violate this axiom.

However, it appears that there are people in our society who, having made it to large official suites, believe that they can amend the norms of existence ordained by nature. Having pulled a snow job on the people about the economy's being reoriented toward a worthy life, these reformers, who actually operated to narrowly corporate, mercenary ends, staged a big game under the name "economic reforms."

Well, the worthy life of the people is really ensured by an appropriate stock of goods. In the broad meaning of the word, this means an ecologically pure habitat, health care, dwellings, amenities in daily life and at the place of work, food, availability of services, and the spiritual content of life.

The goal of a society is to have an abundance of all of this. Just one question remains: How are we to arrive at such a supply? This is where the "reformers" disregarded the law of the conservation of energy.

Prices were decontrolled, and they shot up. Manufacturers did not profit by this, but rather the resellers and those above and around them did. The "reformers" calculated and "bolstered" this with requisite tax and price policies.

The results were not long in coming. Given the high prices for materials and subcontracted supplies for their products, manufacturers needed additional funds. Where were they to be had? Of course, at a bank, with interest. The firm financial policy immediately inflated the bank credit rate to 213 percent a year! Once again, those into whose pockets this interest flowed through the banks ended up in the money.

Let us move on. One must manufacture and sell his products very quickly in order to maintain manufacturing in the environment of high prices and a shortage of money. However, the "fathers of the reform" had thought about this move, too. Someone arranged things so that the processing of payments was slowed down to infinity. The funds retained by the banks were put to use yet again, and once again contributed to the profits of those who were originators of the "reformist idea" in question.

However, the aforementioned sources of profiteering are but a secondary product of the excesses in the transformation of the economy. The primary, key result of experimentation with the country can be deduced from the already mentioned enduring equality of the energy balance in nature, and then in the opposite sense.

The essence of it is such: Strictly in keeping with the law of the conservation of energy, a small amount of money times the low velocity of circulation divided by high prices brings manufacturing to zero (to being wound down and destroyed). This means loss of jobs and mass unemployment first, and subsequently the hemorrhaging of intellectual, highly skilled labor and the consistent reduction of the nation to a source of primitive labor on the world labor market. The disintegration of the state follows inevitably.

I will say frankly that I do not believe in the ability of the presidential structures and the government to effectively adjust the economic course being pursued without coercion by the entire people. The repeated collective proposals by manufacturers from many regions of the country to the government to cooperate in developing and implementing a creative economic policy, made in vain over a period of two years, are grounds for my mistrust.

So, is everything lost, and are we doomed as a nation? I believe that there still is an opportunity for rebirth, provided, of course, that we take immediate action to preserve the fruitful energy of the nation.

First. Manufacturers representing all forms of ownership should unite around the banner of the Federation of Manufacturers of Russia (FTR) for joint, organized

actions in the name of bringing back domestic manufacturing at a new scientific-technical level, and should support the declaration of the Second Congress of Manufacturers.

Second. The Federal Assembly and the FTR should proclaim 1994 the year of a people's revision of economic reforms.

Third. Having invited the administrations and deputies, the FTR and public organizations should organize the development of proposals for revising credit-financial, tax, price, and customs policies throughout the country.

Fourth. The government and the FTR should refine and release to the public procedures for the collection of proposals, their honest processing, and open and systematic analysis with a view to adopting a people's law on a long-term economic policy.

Fifth. Having invited public organizations, sectoral associations, and state structures, the FTR should immediately embark on organizing intrasectoral and intersectoral negotiations on putting price-setting in order. Special attention should be paid to setting the maximum cost of intermediary services regardless of the number of consecutive resales.

It appears to me that the following three principles should form the foundation of the agreements, among other principles. The ratios of prices for goods and services may not differ substantially from those at the world level. Prices for natural resources as export products may not be lower than world-market prices (in this instance, labor, minerals, soils, the natural flora and fauna, water, and air should be considered the original reference). Finally, the cost of labor as a proportion of all products should be approximately in line with that in the world for a similar stock of merchandise.

Such negotiations with the structures of federal power will certainly be difficult. The development of fundamental legal provisions for revising the reforms will certainly run into contradictions, into mutually exclusive arguments. One point is clear: The speeding fly-wheel of inflation will not be stopped in the absence of nationwide accord. If we fail to pool together the creative energy of Russians and channel it toward life-giving pursuits, within the shortest possible period of time we will be doomed as a nation and as a state.

P.S. I finished writing this letter on 5 February. On 15 February, I read information in your newspaper according to which Prime Minister V. Chernomyrdin had come out for holding intersectoral price-setting negotiations. I mention this because otherwise it would turn out to be improper: I would appear to be plagiarizing Chernomyrdin's ideas.

Economist Welcomes Greater Government Regulation

944Q0254A Moscow *NOVOYE VREMYA* in Russian No 10, Mar 94 (signed to press 5 Mar 94) pp 10-11

[Interview with Economist Yevgeniy Yasin by Galina Kovalskaya, *NOVOYE VREMYA* correspondent; date and place not given: "The Basic Reforms are Already Behind"]

[Text] The well-known economist Yevgeniy Yasin has given a regular quarterly interview to *NOVOYE VREMYA*.

[Kovalskaya] The new year has been marked by changes in the composition of the government. The rhetoric has also changed at once: on practically all levels the talk is about strengthening state monitoring, state regulation. This is all but the basic motive in the president's message to the Duma. Are there not threats to the reforms here?

[Yasin] Strengthening of state power in Russia is totally necessary. And I can only welcome such intentions. We have spent two years under conditions of the continuous weakening of the state, which has been related also to the political situation—the disintegration of the Union, the strengthening of separatism within Russia, the replacement of the ruling elite, and to the economic reform, since the liberation of economic subjects under our conditions has inevitably also turned into the weakening of legal control.

Privatization was the main thing in the first stage of the economic transformations. This task has been basically resolved. The mechanism has been started up and the further course of privatization depends already on the economic and social conditions in the country. So the task of consolidating state institutions or, in other words, of maintaining order is now advancing to the forefront. Effective functioning of the militia, the tax inspectorate, customs houses and investigatory and judicial organs is required.

Let's take the problem of non-payments, one of the most acute social problems—the consequence not so much of stringent financial policy as of the absence of the monitoring of money flows. Entrepreneurial activity is being held in check not only by inflation but also by the unprecedented scope of criminality and corruption. These costs in the form of chaos and lack of control, obviously, are inevitable. But in the same way the struggle with them, moreover on the state level, is also inevitable.

However, another fear is expressed in your question: will not a strengthening of the interference of the state in the economy according to formulations like those our respected academicians proposed take place? Will they not try to return to price regulations and to close up the economy? This would really bring nothing but harm. I think that in the government they understand that such measures would be a retreat from the reforms.

Perhaps I will now surprise you. However, I think that the reforms are on the whole already behind us. The main thing has been done: prices have been liberalized, the economy has been opened up, and privatization is almost completed. Now one needs to preserve all this and to proceed further along specific institutional directions. It's right here that a strong and effective state is required.

For example, the question of optimizing the management of state enterprises has been on the agenda since the middle of 1992. It was talked about in the Gaydar program for the intensification of economic reforms. There is nothing anti-market here: an enterprise cannot operate efficiently if it is not controlled by the owner. Since the owner in this case is the state, so there should be state control.

In everything else the level of state interference in the economy ought to come down to promulgating good laws and providing the mechanisms for their operation.

[Kovalskaya] How strongly will the departure of the reformers from the government strike at reform?

[Yasin] Let's get used to the fact that the time of simple solutions and unequivocal evaluations has passed. I'm by no means delighted with the new composition of the cabinet. I very much regret the departure of Boris Fedorov, even more than the departure of Gaydar. At the same time I think that Gaydar has done his own very important part in the matter and already other people will be able to accomplish the rest. But to read the burial service over the reform and to call Chernomyrdin an anti-reformer, as many mass information media have been doing in recent months, is both incorrect and simply harmful in my opinion.

[Kovalskaya] At the end of last year the government was getting ready to begin the clearing up of the finances of insolvent enterprises and the appropriate preparatory work had been done. Will this now be given up?

[Yasin] As far as I can judge feelings are rather firm, in any case for the prime-minister. But the question is very difficult and is connected with the fate of millions of people. All the talk that bankruptcy will not lead to the closing of an enterprise is no more than an attempt to comfort. In the overwhelming majority of cases, bankruptcy inevitably should lead precisely to the closing of an enterprise. Otherwise, it makes no economic sense.

In a normal situation the question of bankruptcy is not a state question. It is the creditors who are not being paid who should initiate legal proceedings in regard to their partners. But in reality this is not yet occurring among us. There is no financial discipline, not even an understanding that this is the case. The new stockholders don't yet know their rights and don't know how to fight for them. State interference is apparently necessary in this situation.

As for state enterprises, no legal proceedings whatever are needed here at all. And a bankruptcy law is not necessary. All this talk last year that, they say, our hands are tied since there is no bankruptcy law is groundless. An owner has a right to manage his own property as he sees fit. In reality another thing brought it to a standstill: a well-founded fear of social explosion.

You can't avoid the sorting out of insolvent enterprises. This is becoming a question of survival. Meager financial resources are being spread thin. As a result both promising and unpromising economic subjects find themselves under the same attack. A stratagem for redistributing budget funds is required. Only efficient enterprises should be supported. By the way, not only state but private.

I call attention to this especially, since a stereotype has taken root among us that the business of the state is only the state sector. So the criterion here should be efficiency and not the form of ownership. Especially as it is difficult with certainty to call enterprises like Uralmash just now made joint-stock companies private. They somehow occupy an intermediate niche.

[Kovalskaya] The ruble exchange rate sometimes stabilizes, sometimes suddenly, as this week, falls spasmodically. What is this related to?

[Yasin] It's very good to have a stable national currency. It is an indicator of the economy's health. But artificial support of a currency's stability in an unhealthy economy leads to nothing good. The stabilization of the exchange rate last year—the consequence of a stringent monetary policy—is the direct service of Boris Fedorov. Jumps are a reaction to the growth of prices.

Why doesn't a smooth increase occur? Because the conduct of the agents of the currency market is determined by two circumstances: on the one hand the physical shortage of rubles and on the other—the approach of internal Russian prices to world prices, so that the dollar also ceases to be a reliable means for storing money.

The special feature of our financial situation is that the dollar exchange rate, despite all the jumps, is nevertheless growing slower than internal prices. The fact is that in recent years the circle of strictly market enterprises (commercial banks and production units directly related to import and export), which very quickly and economically adequately reacts to stringent financial policy, has been set apart. They also are the basic agents on the currency exchange.

But those producers which basically establish consumer prices, wholesale and retail, in their mass are far less mobile, more "socialistically" oriented, inclined to pay wages first and then debts. That is why prices in the country react slower to financial policy than to the ruble exchange rate.

[Kovalskaya] It turns out that our inflation also is really not related to monetary policy and the Abalkin-Shatalin-Petrakov group is right?

[Yasin] In no circumstances can one give up a stringent financial policy. But the talk about "cost inflation" instead of "demand inflation" is altogether unfounded. Inflation always is urged on by both demand and by costs. The one reinforces the other. But here it is, of course, necessary to pay attention to the structural factors which provoke the growth of inflation.

Consequently, we again return to the strengthening of the role of the state. Who thought to what extent our inflation was caused by the fact that taxes are not being collected? Or by corruption? Or by the lack of currency control?

[Kovalskaya] Are these really feasible tasks? Some presidents in the near abroad proclaimed the struggle with corruption their basic task and the disintegration of even those poorly operating structures which were there merely occurred as a result.

[Yasin] Of course, the best method of fighting corruption is a liberal economy and regulation of the functions of bureaucrats and departments. However, one also cannot attempt to suppress corruption and arbitrariness by forceful methods, with the help of the law, the militia, the tax inspectorate, and customs houses—the impunity in such cases completely demoralizes society.

For example, an appropriate economic policy is needed first of all to stop the export of currency abroad: an increase in the interest rates on deposits. But currency control, which not a single state can do without, is also necessary.

Corruption, I am certain, will not decline in Russia until privatization is completed, and until state property is either pilfered or plundered. But this does not mean that deliberate connivance is permissible.

[Kovalskaya] Everyone is anxious about the impending reunification of monetary systems with Belarus. One of the sorest subjects is that Belarus for the last two years has stubbornly not liberated prices and has "maintained production." How are we now to unite while in fact taking on the maintenance of their unprofitable enterprises? Or to succeed in insisting on the liberation of Belarus's internal prices?

[Yasin] I'm not sure. But didn't you notice that the fact is that prices are also regulated in Russia? Only not on the state level, but by the local authorities. In Moscow, for example, Luzhkov holds down the prices for gasoline and for many products. The local leaders do this in a majority of oblasts.

There are oblasts that are record-holders in the regulation of prices like Ulyanovsk and Orel oblasts. In my view they are acting more reasonably in Nizhny Novgorod, where the prices are completely free and

compensation is paid to the poor. However, the government is very wise in not interfering in the internal affairs of the regions. Imagine if the inhabitants of Ulyanovsk Oblast, who are terribly proud of the low prices in their stores, suddenly found out that "from the top" they are prohibiting the freezing of prices?

Let the population itself rather react to the disappearance of goods from the counters and to the inevitable setting of norms for products, or enterprises rebel against the additional tribute which the oblast assesses them in order to be able to hold on to low prices.

I think that Belarus also, if the unification of finances takes place, will find itself in the position of an oblast in which prices are being regulated on the regional level. Ten million strong, Belarus will not inflict catastrophic damage on the Russian economy.

[Kovalskaya] In December the country lived through a series of strikes. A new bout of the strike fever is now beginning. What, in your view, is the optimal conduct strategy with respect to strikes?

[Yasin] I personally think that one should display great severity precisely towards those who try to take the country by the throat: the power industry workers, the transport workers. Of course, for a state order, once this obligation has been thoughtlessly undertaken by the government it needs to be paid for at the proper time. However, under no circumstances whatever should the government clear off from the budget the indebtedness of enterprises that are users of coal or other energy resources.

That these same miners have a right to demand certain actions from the government is another matter. To close unprofitable mines and to resettle people from the North to the mainland—these are all just and reasonable desires. Very little is being done in this direction as yet. The World Bank will grant money for modernization of the coal industry but we are still not able to use it.

One should respond in the right way not to intensive pressure but to the needs of those groups like invalids and single mothers who cannot stand up for themselves.

Soskovets Aide on Role of Financial-Industrial Groups

944E0603A Moscow ROSSIYSKAYA GAZETA
in Russian 17 Mar 94 p 3

[Interview with Yevgeniy Lenskiy, adviser to the first deputy prime minister, by Aleksandr Golyayev; place and date not given: "An Answer to Wastefulness"]

[Text] For almost a year a group of experts headed by government First Deputy Chairman Oleg Soskovets has been working on the problem of creating financial-industrial groups (FPGs). Why has this process, of all

others, attracted the government's attention? Yevgeniy Lenskiy, an adviser to the first deputy prime minister, answers this question.

[Lenskiy] In our difficult conditions it became necessary to implement such production maneuvers as changing the production profile, organizational restructuring of industrial sectors and enterprises with precedence given to the development of the nonstate sector. Under these circumstances, there is a shift from an expenditure-based economy to a system of sectors and enterprises, which produce, on the basis of new technologies, the output everybody needs.

[Golyayev] What general economic tasks are being resolved in the course of such a maneuver?

[Lenskiy] First and foremost, the fastest possible overcoming of the production decline on a, so to say, noninflationary basis. This is probably the most important point.

[Golyayev] Is there a mechanism for resolving this problem?

[Lenskiy] This involves a series of economic measures, among which one of the most important is to create conditions that stimulate natural market changes in the structure of goods produced and hence change the proportional weight of different economic sectors. The meaning of the maneuver is **not a state-directed structural restructuring of industry from above, but the state creating conditions** whereby old enterprises undergoing transformation along with newly-emerging private enterprises build product markets along technological chains of demand and supply.

An FPG is one of such mechanisms for implementing Russian industrial policy. You see, it would be wrong to change the "rules of the game" in the implementation of the privatization program. This does not mean, however, that issues of adjustments to the privatization policy are no longer on the agenda. Today, in my opinion, it is mainly aimed at excessive fragmentation of production and cannot result in the creation of a modern market economy. I support the proposals of those who propose a course toward the creation of large FPGs that will be competitive in the world market, rather than creating internal competition at the cost of a sharp decline of effectiveness of the national economy. What is needed are groups of enterprises linked together financially and technologically, exercising precise planning of joint work, interacting with scientific and design organizations. At the same time, we should avoid conglomeration of enterprises making similar products—along the pattern of a ministry or a main administration. What is needed are associations competing with each other.

[Golyayev] They say that there are different opinions regarding financial-industrial groups...

[Lenskiy] The people who do not accept FPGs are those who know a plant or a shop only from textbook descriptions. This is not serious. I support those who believe that we can no longer put up with the fact that ministries and agencies are virtually removed from the processes of reforming enterprises, their privatization, forming the vitally needed market infrastructure, influence over the consumer market. The role of the state should be in facilitating the development of financial and legal norms, personnel training, and other infrastructure-related activities.

In addition, the idea of organizing large quasi-government multisectoral associations also sprang up among Russian industrialists.

In the summer of last year, First Deputy Prime Minister Oleg Soskovets signed a directive, which envisaged creating a commission on the development of a "variant concept for implementation of industrial policy in the environment of privatization of state property." It is a long title, but the substance of the document is quite simple: creating conditions for setting up multisectoral industrial groups. The role of the state also is clearly delineated: not to force the process of FPG formation, but to monitor it, cut off the unneeded.

There have been many drafts, including those from the State Committee on Industry, the State Committee for the Administration of State Property, the Committee on Machine Building, the Property Fund, and so-called independent experts. An attempt to reject constructive alternatives and to present the current industrial policy as the only true and possible one represents, in our opinion, the most dangerous form of monopolization, which blocks the road to the development of a rational strategy of reforms. That is why the work on perfecting the FPG concept continued, the final result of which was the president's edict.

[Golyayev] What do we currently have in real life?

[Lenskiy] An amazing thing. The state is interested in it; corresponding normative documents have been adopted; and at the same time one gets the impression that someone is benefiting from slowing down this process. Judge for yourself: In order to "legitimize" creation of FPGs, concurrence of almost 10 ministries and agencies is needed. One would think it should be simple: band together and start working. At this point, however, it is impossible to "push through" the needed concurrence. Half a year has passed, but not a single FPG has acquired the status of a legitimate entity registered in a corresponding registry.

Plans are being developed on a broader scale as well. The main efforts in the integration processes of CIS member countries may be placed on interstate transnational corporations and financial-industrial groups formed on a share-holding basis and representing the entire complex of business services.

We would like very much to move from talk to action. I am not a supporter of campaigning, but let 1994 become a year for forming Russian and transnational FPGs, corporations, and other integrating entities.

Otherwise, foreign transnational corporations will suppress Russian industrial structures, with the exception perhaps of those in the raw materials sector. Russian citizens will hardly be happy with this.

Shokhin's Reputation Tarnished

944E0605A Moscow *SEGODNYA* in Russian
17 Mar 94 p 2

[Article by M. Kozlovskiy, under the rubric "Individuals": "Slippery Shokhin: Political Agility as a Means of Fighting a Decent Reputation"]

[Text] The only representative of power to have met with former U.S. President Nixon, between the latter's meetings with Mr. Rutskoy and Mr. Zhirinovskiy, as it happened, was RF [Russian Federation] Economics Minister Aleksandr Shokhin. One can guess that this meeting was scarcely at Mr. Shokhin's personal initiative; however, the fact that it was he who was selected for this mission reflected the position he has landed in the government, due largely to his own initiative.

Aleksandr Shokhin remains one of the most tenacious ministers in the Russian government. He was invited by Ivan Silayev to occupy the post of labor minister, held on in the transition administration of Acting Premier Oleg Lobov, and entered organically as one of the key vice premiers into the "reform cabinet," where, as we know, he headed up the economic bloc. Despite his early manifested inclination toward extreme political tenacity, Mr. Shokhin was long considered one of the most literate and powerful reformers on the "Gaydar team," on which he occupied a special, relatively independent position.

By the way, when Aleksandr Shokhin, as the first of the "renegade reformers," began to pronounce unintelligible texts "on the need to strengthen the social orientation of the reforms" on the eve of the elections, it reminded us mostly of cheap demagoguery: it reminded us that during the first period of reforms the social bloc's former chief could boast of a single merit—he held on tenaciously to that same "social protection" and blamed the government for its lack.

Without dwelling on the reasons that brought Mr. Shokhin into the "Shakhray party," it should be noted that he entered quite organically into the role of economic ideologue. His theoretical constructs were limited to hints at a poorly digested "centrism" in the spirit of the Civic Union, and his practical attacks against government policy pursued the goal of toying with Russia's Choice. Mr. Shokhin's membership in the PRES [Party of Russian Unity and Accord] and even, to some extent, his supremacy in that party might seem surprising at first. However, he quickly achieved "unity and accord" with his colleagues on the basis of a single ideological

paradigm that linked the party to absolute political spinelessness. From this standpoint, each of the PRES leaders has his own special merits: Mr. Shakhray, who virtually ensured passage of the criminal resolution granting amnesty to the organizers of the state coup due to extenuating circumstances; Mr. Zatulin, a petty trade-finance middleman implicated in petty machinations who has now attained petty power and who long reviled in the press the very people and politics with which he now willingly formed a bloc.

As for the "intelligent and competent" Mr. Shokhin, he along with his comrades in his party, willingly agreed to the suggestion to join a government formed on the very basis of their party's defeat in the elections. By the way, we should mention the fact that it was Mr. Shokhin who brought in Mr. Melikyan to take over the newly freed up chair of the head of the RF Ministry of Labor. Mr. Melikyan is now willingly and extensively developing both in public and in his practical activities his patron's most demagogic ideological findings.

Once he took over Russia's Ministry of Economics, Aleksandr Shokhin attempted to proclaim it the key economic department, empowered to carry out the purposeful state regulation of the economy. Thus he attempted virtually to commandeer the legacy of Mr. Lobov, an act that ought to have been considered utterly shameful for the "economist-reformer."

I will make the proviso that Mr. Shokhin's undoubted service was his extremely harsh position at the negotiations with Western partners and international financial organizations on the issues of their economic "assistance" and Russia's foreign debt. However, Mr. Shokhin has been virtually dismissed from these duties, and he is not going to be allowed, or so it seems, to render any such benefit in his new field of endeavor.

The administration seems to have made the most radical reform decision of recent years by taking away from the Economics Ministry the monumental quarters of the old USSR Gosplan [State Planning Committee]. Soviet-Russian bureaucratic practice shows that, after something like this, "great institutions," as a rule, are not restored. So that once again they have, as they say, wiped their feet on Mr. Shokhin.

The new economics minister's highly developed agility is becoming a threat to his own professional reputation: unlike Mr. Soskovets or Mr. Chernomyrdin, he cannot fail to be aware of the content of his new economic illuminations. By the way, in his conversation with President Nixon, Aleksandr Shokhin accused Premier Chernomyrdin of excessive monetarism in connection with February's indecently low rates of inflation. In a recent interview, former Finance Minister Boris Fedorov proposed that Mr. Shokhin's next post be minister of health care. However, if Aleksandr Shokhin is going to treat himself as carefully in the future as he has so far, then he might boldly count on occupying the chair of deputy minister of health care.

DELOVOY MIR Economic Statistics, 16 March944E0609A Moscow *DELOVOY MIR in Russian*
16 Mar 94 p 4

[Report by Valeriy Galitskiy, Aris Zakharov, and Aleksandr Frenkel, Russian State Committee on Statistics: "Production Output and Price Dynamics as of 5 March"]

[Text]

Prices for Goods and Services

Over the period 28 February to 5 March 1994 prices for consumer goods and services rose by 1.7 percent, including those for foodstuffs and nonfood items—by 1.5 percent, and for-fee services for the population—by 4.8 percent. Food prices rose at a higher rate (by 2.5-4 percent) in the Northwestern and Volga regions and Kaliningrad Oblast; in the cities of the Far East prices remained practically unchanged.

Consumer market indices of prices for consumer goods and services were as follows (as a percentage of the preceding date):

	02/22	02/28	03/05	Average daily price rise	
				March	February
Consumer goods and services	101.9	101.5	101.7	0.34	0.34
including:					
foodstuffs	101.6	101.2	101.5	0.31	0.32
nonfood items	102.4	101.9	101.5	0.31	0.34
for-fee services for the population	101.7	101.7	104.8	0.94	0.48

Since the beginning of the year prices for goods and services have increased by 35.7 percent, including for foodstuffs—by 34.4 percent, nonfood items—by 25.6 percent, and for-fee services for the population—2.1-fold.

Foodstuffs. Over the first five days of March prices in organized and unorganized trade rose at practically the same rate—1.5 percent and 1.9 percent.

Price changes by main categories of food products over the period 28 February to 5 March are shown below:

	As % of the preceding observation date		
	Total	including:	
		in organized trade	in nonorganized trade
All food products	101.5	101.5	101.9
including:			
Meat and meat products	101.3	101.4	101.0
Fish and fish products	102.3	102.3	100.6
Milk and milk products	102.9	103.1	101.8
Eggs	101.1	101.2	99.6
Sugar	100.3	100.3	100.0
Bread and bakery products	106.4	106.4	
Cereals and macaroni items	102.5	102.5	102.3
Vodka	97.2	97.1	100.4
Potatoes and vegetables	104.2	104.2	104.2

In organized trade over the first days of March prices went up by 5-9 percent for basic varieties of bread and bakery products and some varieties of fruit and vegetables. Milk and milk products prices increased by 3-4 percent. Prices for butter, vegetable oil, meat products, eggs, and sugar remained practically unchanged. Prices for oranges and vodka decreased by 1-3 percent.

In nonorganized trade the greatest price increases were registered with respect to fresh cabbage—by 9.5 percent,

milk—by 5 percent, potatoes, beets, and carrots—by 2-3 percent.

The cost of the consumer basket of 19 basic foodstuffs rose over the week by 2.4 percent and as of 5 March amounted to 42,300 rubles [R], calculated on a monthly basis. The price differential between monitored cities measured a factor of 3.7. Moscow is in 35th place of 132 monitored cities (R46,000 on a monthly basis).

Nonfood items. Over the period 28 February to 5 March prices for medicines increased by 2.3 percent; those for fabrics, sewn items, and knitwear rose by 1.5-1.7 percent, and for footwear—by 0.6 percent.

For-fee services for the population. Service fees rose by 4.8 percent over the period under review. Rents in municipal housing went up by 25 percent, and hot water supply rates—by almost 20 percent. The cost of some varieties of consumer services, urban bus fares, and the cost of keeping a child in a preschool facility went up by 5-8 percent.

Cost of Raw and Manufactured Input Materials

The Russian State Committee on Statistics has summarized the current data on the level and dynamics of average prices of purchasing 170 categories of basic raw and manufactured input materials obtained from a selected sample of enterprises in industry and construction. The average price includes, in addition to production cost, transportation and selling expenses, taxes and excise taxes.

Prices for raw and manufactured input materials purchased by enterprises increased in February of this year by 13 percent as compared to January, including those purchased from suppliers within Russia—by 12 percent, from CIS countries—by 22 percent, and from foreign countries—by 16 percent (wholesale prices for industrial output increased by 16 percent in February of this year as compared to January 1994). Over two months of the current year, prices for raw and manufactured input materials purchased by industrial users increased by 34 percent (industrial producers' wholesale prices—by 37 percent).

The cost of construction materials increased at a greater rate. Over the month prices for materials purchased by construction contractor organizations rose by 26 percent, and since the beginning of the year—by 51 percent. Wholesale prices of construction materials producers increased by 16 percent and 40 percent, respectively.

Purchase price dynamics by main categories of raw and manufactured input materials are characterized by the following data:

	as % of the preceding month		February 1994 as % of December 1993
	January 1994	February 1994	
Electric power	118	109	129
Heat	118	128	151
Fuel	125	113	142
Raw and manufactured materials for heavy industry	113	113	127
for light and food-processing industry	106	115	122
Construction materials, parts, and prefabricated components	120	126	151

Purchase prices for fuel rose over the month by 13 percent, including for oil—by 19 percent, natural gas—by 14 percent, boiler oil and diesel fuel—by 15-18 percent. Oil refining industry enterprises purchased oil in February on average at R80,000 per tonne (production cost—R52,000). The price of natural gas used in electric power generation amounted on average to R32,000 per thousand cubic meters (production price—R3,200); the average price of coal used in power generation—R19,000, and coal for coking—R50,000 per tonnes, with a production price on average across Russia of R13,000.

Purchase prices for raw and manufactured input materials differ depending on the supplier. For instance, it was cheaper for Russian producers to purchase conversion pig iron, iron ore, certain varieties of rolled metal, flax fiber, and granulated sugar from CIS member countries suppliers than on the domestic market. At the same time, coal and some varieties of synthetic thread and fiber were purchased from suppliers in near abroad countries at higher prices.

Purchase prices differed considerably by region. For instance, the purchase price of lumber for Ivanovo Oblast enterprises amounted to R76 million per 1,000 cubic meters of solid wood, and in Rostov Oblast—R92 million. Food-processing enterprises in Krasnodar Kray purchased vegetable oil at R735,000, and in Sverdlovsk Oblast—R1,496,000 per tonne. Cement prices ranged from R96,000 in Amur Oblast to R19,000 per tonne in Smolensk Oblast (with an average for Russia price of R37,000). In the Central region the highest level of purchase prices for basic construction materials was registered in Moscow and Moscow Oblast.

Higher freight rates (by 15 percent in February as compared to January of this year) led to increased transportation expenses for enterprises in industry and construction. Last month freight expenses at surveyed industrial enterprises and construction contractor organizations amounted on average to 12 percent of the cost of purchased raw and manufactured input materials. Transportation expenses comprise more than one-quarter of the purchase price of commercial timber; apatite concentrate—more than 40 percent; road metal

and sand—about 50 percent; cement, asphalt-concrete mix, asbestos-cement sheets, and construction brick—more than 15 percent.

Industrial Production

In January-February of this year Russian industry produced almost R34 trillion worth of output in current prices, including R18 trillion worth in February. As compared to last January-February, the physical volume of production declined by 23.6 percent, including by 23.1 percent in January and 24.1 percent in February.

The volume of average daily production (as a percentage of the preceding month, without taking into account seasonal factors) amounted to: February—105 percent; January—89 percent; December 1993—103.7 percent; and November—97 percent.

In January-February 1994, of the 406 most important categories of products counted in periodic reports, the production volume of 37 items increased as compared to January-February of 1993, and of 362 items—declined.

In the fuel and power generation sectors, the volume of electric power generation declined by 4 percent in January-February of this year as compared to January-February of last year. Over two months of this year, oil production amounted to 50.5 million tonnes, including gas condensate, which is 13 percent less than in January-February of 1993; 50.3 million tonnes of coal (8 percent less), and 109 billion cubic meters of gas (the same level as over the same two months last year).

In ferrous metallurgy in January-February of this year the lag as compared to the corresponding period of last year amounted to: with respect to pig iron output—20 percent; steel—26 percent; production of finished rolled metal—22 percent; and that of steel pipe—48 percent.

In January of this year the output of half of the monitored items in machine-building amounted to 50 percent or less of that for the corresponding period of last year (metal-cutting machine tools, drop forge machines, bulldozers, freight railcars, tractors, trucks, grain and fodder harvesting combines, and others).

In the chemical and petrochemical industry, production of most varieties of the most important categories of output continued to fall in February. Over the two months as a whole, production of synthetic ammonia declined by 26 percent, sulfuric acid—by 30 percent, calcinated soda—by 53 percent, mineral fertilizer—by 29 percent, chemical thread and fiber—by 49 percent, and automotive tires—by 41 percent. Production of pipeline pipe and components made of thermoplastics, as well as fiberglass and items made of it, declined by more than one half, and of chemical insecticides and pesticides—by two-thirds. Output of tires for agricultural vehicles amounted to less than one-third of last year's.

In the timber, woodworking, and pulp and paper industry average daily output of wood-chip panels, window and door frames, and garden homes increased in February as compared to January. At the same time, the output of commercial timber fell in January-February of this year by more than one-third as compared to the corresponding period of last year, of lumber—by 30 percent, laminated plywood—by 22 percent, mine props and wooden transportation containers—by more than one-half, and prefabricated homes made of wood—by three-quarters.

In the pulp and paper industry, production of paper and cardboard declined as compared to January-February of last year by 22 percent and 39 percent. The output of newsprint was 20 percent greater than last year.

In the construction materials industry in January-February of this year, as compared to the same period of last year, production of cement declined by 35 percent, soft roofing and insulation materials—by 43 percent, brick—by 24 percent, and window glass—by 33 percent. Output of preassembled ferroconcrete, wall materials, linoleum, porous fillers, and decorative ceramic tile dropped by 22-29 percent, asbestos-cement pipes and couplers, high-grade asbestos, and mineral cotton—by 43-62 percent, and of roof slate—by 72 percent.

Production of consumer goods in January-February 1994 declined as compared to the analogous period last year by 27 percent, including that of nonfood items—by 31 percent, and foodstuffs—by 17 percent.

In light industry there was a decline in output of hosiery and knitwear—by 27 percent, footwear—by 54 percent, woolen fabrics—by 53 percent, silk fabrics by—61 percent, and linen fabrics and sack cloth—by 45 percent. Production of cotton fabrics increased by 22 percent.

In January-February of this year, as compared to the same period of last year, there was a considerable decline in production of most garment industry items: coats and short coats—by two-thirds; jackets, raincoats, suits, slacks, and skirts—by almost one-half; and shirts and dresses—by 22-28 percent.

Shortage of working capital and difficulties in selling output because of high prices remain the main causes of production decline.

In the production of complex home appliances, over the elapsed period of the year there was a decline in the production of: refrigerators and freezers—by 2 percent, washing machines—by 42 percent, tape recorders—by 56 percent, television sets—by 17 percent, and porcelain, stoneware, and majolica tableware—by 22 percent.

Compared to the corresponding period of last year, the output of two- and three-chamber refrigerators and freezers increased in January-February of this year.

Among the most important food items whose output increased in January-February 1994 as compared to the corresponding period of last year are high-fat cheeses

and feta cheese, mayonnaise, and canned tomato products. Production of canned milk products and vegetable oil remained practically at last year's level.

With respect to most foodstuffs, the volume of production declined as compared to January-February 1993: meat—by 26 percent, whole-milk products—by 17 percent, butter—by 31 percent, flour—by 17 percent, and cereals—by 34 percent.

Considerably less macaroni items, lump sugar, starch, and food concentrates (37-50 percent), confectionery items, and baker's yeast (15-20 percent) was produced than last year. Output of bread and bakery production declined by 13 percent.

Production of vodka and other hard liquor amounted to only one-half of that over January-February of 1993; in February it amounted to 44 percent.

Since the beginning of the year, production of manufactured feed concentrate dropped by more than one-quarter, and output of protein and vitamin feed additives amounted to only 14 percent of last year's volume.

Enterprise and production stoppages. In February of this year 4,300 enterprises in Russia experienced lengthy complete or partial stoppages of production; the loss of work time amounted to 22 million man-days, or 18 percent of scheduled clocked time of these enterprises (in February, 2,400 enterprises experienced shortages; 6 million man-days were lost, or 8.6 percent of scheduled clocked time of these enterprises).

At enterprises experiencing shortages, 22 percent of the labor force was sent on additional unpaid or partially paid leave in February at the administration's initiative (8 percent in February 1993).

Over the elapsed month, 28 enterprises in the fuel industry were on strike; as a result, 60,000 man-days of work time were lost.

The Consumer Market

According to preliminary data, in January-February of this year R27 trillion* worth of consumer goods and services was sold to the Russian Federation population through all sales channels, which is eight times more than in January-February of last year in current prices, but 3 percent less in comparable prices. In February 1994 their physical volume was 6 percent less than last February.

Retail turnover, including public catering, at officially counted enterprises amounted to R12.5 trillion over two months of the current year, which comprises 52 percent of the total turnover (a sevenfold increase in current prices as compared to the corresponding period of last year, and a 5.7 percent decline in comparable prices). Its physical volume in February of this year was 6.2 percent below that of February 1993.

The share of the private sector (including consumer cooperatives) accounts for 56 percent of retail turnover (40 percent in January-February 1993), the state sector—35 percent (58 percent), and other nonstate forms of ownership—9 percent (2 percent).

The coefficient of the retail trade network's saturation with consumer goods in February of this year remained unchanged as compared to January of this year (86 percent)** and increased by 23 percent*** as compared to February of last year. Officially counted enterprises in January-February of this year sold to the population R6.8 trillion worth of foodstuffs, which is 7.6 times more in current prices than over the same period of last year and a 9.7-percent decrease in comparable prices. In February of this year the physical volume of retail turnover in foodstuffs declined as compared to last year's February by 10.6 percent. In January of this year 9-17 percent less meat and poultry, canned meat, and vegetable oil was sold than last year, and 24-30 percent less canned fish, eggs, and sugar.

Slower sales of foodstuffs resulted in higher retail trade inventories. For instance, butter inventories increased from 19 days of trading as of 1 January of this year to 23 days as of 1 March; eggs—from seven to 10; sugar—from 53 to 61; confectionery items—from 21 to 27; and tea—from 58 to 62.

The coefficient of retail trade saturation with foodstuffs measured 82 percent in February of this year and increased as compared to February 1993 by 28 percent, including with respect to meat products, butter, vegetable oil, and bread products—by 8-18 percent, sugar—by 21 percent, and milk products—by 35 percent.

With the formation of the consumer market and the emergence of new sales channels, part of the population switched to buying foodstuffs at farmers markets. For instance, while the sale of basic foodstuffs at retail trade enterprises declined, sales of meat and milk products, vegetable oil, and potatoes at farmers markets increased by 17-35 percent, and of eggs—2.8-fold.

In January-February 1994 the population purchased (at officially counted enterprises) R5.7 trillion worth of nonfood consumer goods (a 6.7-fold increase in current prices and a 1-percent decline in comparable prices).

In the environment of shrinking production, already existing elements of market relations are exerting a positive influence on the state of the market. While in the past domestic industry and state procurement were the only sources of goods coming in to the market, now a considerable share of nonfood goods inflow comes through various commercial and middleman structures, trade enterprises' independent purchases, and other channels. This contributes to consumer market saturation, and creates favorable conditions for alternative choices in purchases and meeting the demand of different groups of buyers.

Evidence of the process of market saturation with non-food items is increased trade inventories of these goods. For instance, trade inventories of woolen fabrics increased from 40 days of trade as of 1 February of last year to 64 days as of 1 February of this year; silk fabrics—from 38 to 53 days; clothing and underwear—from 55 to 81 days; knitwear—from 47 to 80 days; footwear—from 47 to 71 days; and radio receivers—from 25 to 51 days.

In January-February of this year R2.6 trillion worth of for-fee services were rendered to the population through all channels of realization—an 11-fold increase in current prices and a 42-percent decline in comparable prices (in February of this year as compared to February 1993—42.3 percent).

Over two months the volume of for-fee services provided by officially counted enterprises amounted to R1.6 trillion (61 percent of the total volume), which is 10 times more than last year in current prices and 48.5 percent less in comparable prices.

Foreign Economic Relations With Far Abroad Countries

In January-February 1994, Russia's foreign trade turnover (without CIS countries) amounted to \$8.1 billion and declined as compared to January-February 1993 in current prices by 7.2 percent. Russia's exports amounted

to \$5.5 billion and increased by 1.2 percent; imports amounted to \$2.6 billion and declined by 21 percent.

In January-February of this year Russia had a \$2.9-billion positive foreign trade balance (\$2.1 billion positive trade balance in January-February 1993).

Monetary Income of the Population

The monetary income earned by the population in January-February this year amounted to R32.4 trillion and increased as compared to the corresponding period of 1993 by 9.2-fold.

In February this year the volume of monetary income of the population amounted to R18.3 trillion, which is 1.3 times more than in January of this year. This increase is mainly due to the difference in wages raised on 1 December 1993 and 1 January 1994 for certain categories of the budget-financed sphere and administrative organs and paid out during this month, as well as an increase in the amount of compensation added to pensions. As a result, there was considerable monetary emission in February of this year—R1.6 trillion, while in January of this year R313.5 billion was taken out of circulation.

In the structure of expenditure of income, purchases of foreign currency and securities account for an increasingly greater share, with a simultaneous decline in the population's expenditures on goods and services.

	February 1993 as % of the total	January 1994 as % of the total	February 1994	
			trillion rubles	as % of the total
Monetary income	100.0	100.0	18.3	100.0
Monetary expenditures:				
purchases of goods and services	73.7	72.9	12.4	67.8
compulsory payments and contributions	8.9	8.4	1.6	8.7
increase of savings in deposits and securities	5.2	6.4	1.2	6.9
including:				
in securities	0.04	0.1	0.03	0.02
purchases of foreign currency	1.6	13.1	1.9	10.3
Increase (+), decrease (-) of cash in the hands of the population	10.6	-0.8	1.2	6.3

With respect to saving money in the bank, the population increasing prefers commercial banks, which offer higher interest rates on deposits as compared to the State Savings Bank. For instance, in February this year the population deposited in commercial banks about R800 billion, and in the State Savings Bank—R444.7 billion; in February 1993—R15.5 and R89.3 billion, respectively.

In February this year as compared to the corresponding month in 1993, the population's disposable income

(income less compulsory payments and contributions) increased 9.1-fold, while prices for goods and services increased approximately eightfold. The real disposable income of the population over this month was 13 percent higher than a year ago (in January—7 percent).

City and Local Transportation Services for the Population

The current difficulties and problems in the public transportation operations, which stem first and foremost

from great wear and tear on the rolling stock, and the haphazard system of subsidies to public transportation enterprises are resulting in declining quality in passenger service, especially in cities; in particular, this is manifest in cutbacks in planned and actually performed route runs.

For instance, in Pskov 14 percent fewer runs were planned for February this year than February last year, and in reality 16 percent fewer were performed; Makhachkala—22 percent and 12 percent, respectively; Ivanovo—7 percent and 5 percent; Orenburg and Chelyabinsk—4 percent and 8 percent; Krasnoyarsk—7 percent and 19 percent; Yuzhno-Sakhalinsk—5 percent and 14 percent; and Blagoveshchensk both with respect to the plan and in reality—10 percent.

During February of this year 1.7 million (11 percent) of planned trips by city ground passenger transportation were not made in republic capital cities and kray and oblast centers in the Russian Federation, and in some of them—between 14 percent and 33 percent. The figures for individual cities are presented below:

	Scheduled trips not made by urban transportation	
	thousands	(%)
Cities where 30% or more of scheduled trips were not made		
Astrakhan	27.1	33
Petropavlovsk-Kamchatskiy	20.5	31
Cities where 20% to 28% of scheduled trips were not made		
Yuzhno-Sakhalinsk	7.0	28
Vladikavkaz	27.6	26
Smolensk	19.4	22
Krasnoyarsk	62.1	21
Moscow	614.6	20
Makhachkala	9.2	20
Orenburg	41.2	20
Cities where 14% to 17% of scheduled trips were not made		
Tula	44.4	17
Kaluga	23.5	17
Tver	19.5	17
Elista	5.8	17
Cheboksary	25.1	16
Lipetsk	35.1	14
Ivanovo	26.1	14
Kursk	25.4	14
Khabarovsk	15.6	14

The most unsatisfactory suburban bus services in February this year were registered in the following cities: Makhachkala (32 percent, or 700, scheduled runs not performed); Orenburg (24 percent, 3,800); Rostov (28 percent, 4,500); Novosibirsk (19 percent, 2,900); Volgograd (16 percent, 2,900); Astrakhan (15 percent, 700); Ulan-Ude (14 percent, 800), Kaliningrad (14 percent, 3,000); Maykop (14 percent, 2,100).

During February of this year 28 runs on local commuter electric trains (5 percent of the number scheduled) were canceled in Kursk; in Volgograd—161 runs (5 percent); and in St. Petersburg—215 runs (2 percent).

Deliveries to Regions of the Far North

As of 1 March of this year half as much cargo had been shipped to regions of the Far North and equivalent areas as was shipped by the same date last year.

	January-February 1994	As a % of January-February 1993
Total cargo shipped, thousand tonnes	437.0	45
including:		
dry cargo	300.2	52
liquid cargo	136.8	35

As compared to last year, the greatest decline occurred in cargo deliveries by sea to the following ports: Dudinka (73 percent), Petropavlovsk-Kamchatskiy (72 percent), Magadan (59 percent), to the ports of Sakhalin (31 percent).

Less liquid cargo than of the same date last year was delivered to the following ports: Petropavlovsk-Kamchatskiy (70 percent), Magadan (58 percent), and the ports of Sakhalin (66 percent).

As of 1 March of this year 10,000 tonnes of products and goods were in the port of Vladivostok, which provides a gate to cargo deliveries to points in the North with year-round navigation, waiting to be shipped by coastal sea transport (54 percent of that as of 1 March 1993), in the port of Vanino—22,000 tonnes (61 percent), and Vostochnyy—2,000 tonnes (13 percent).

As compared to 1 February of this year, cargo remaining to be shipped to the North on the whole increased at the main ports by 5 percent; in the ports of Kandalakhsha, Vanino, and Arkhangelsk it increased, respectively, by 10 percent, 16 percent, and 35 percent, and in the ports of Vladivostok, Murmansk, and Vostochnyy—it decreased by 2 percent, 16 percent, and 56 percent.

Average Rates for Services in the Russian Federation

Service	02/15/94	02/22/94	02/28/94	03/05/94
Custom tailoring—women's dress	23,508.09	24,117.36	24,575.87	25,401.86
Dry cleaning of winter coat or short coat	6,407.93	6,476.75	6,643.83	6,886.96
Linen laundering and ironing (per kg)	481.06	490.55	497.27	517.92
One visit to a bath house (common hall)	454.36	469.68	479.68	499.74
Hair styling at a women's salon	4,530.94	4,629.99	4,776.13	5,127.24
Women's shoe repair (polyurethane heel)	2,184.39	2,239.94	2,280.23	2,392.23
One-way trip on innercity bus	30.46	30.80	31.13	35.76
One-way trip on suburban train to zone 3 or 4	222.31	232.24	231.23	244.52
Cost of travel per 100 km in compartment car of regular-service express train, destination Moscow (divide cost of ticket to Moscow by distance and multiply by 100)	1,320.62	1,322.80	1,324.30	1,330.11
Cost of one minute long-distance telephone call	269.49	270.46	276.36	285.58
Monthly service fee for use of private (not party, not parallel) residential telephone line in noncommunal apartment, without preferential discounts	1,523.06	1,547.49	1,565.05	1,663.14
Hotel (one bed in category I double room in grade I hotel)	8,813.36	9,017.35	9,146.15	9,435.28
Apartment rent per one square meter of general living area in municipal state housing	11.06	11.06	11.59	14.35
Fixed fee for central-supply gas usage per person living in an apartment with gas stove	21.61	21.61	21.75	22.11
Fixed fee for hot water supply per person in an apartment with all conveniences	110.23	113.97	117.20	142.01
Urban electric rates	5.86	5.86	5.86	6.03
Nursery-kindergarten (one child-day)	444.54	450.63	450.72	463.79
Movie ticket, evening show	813.68	832.08	848.33	899.36
Initial doctor's visit	2,353.99	2,418.77	2,451.84	2,484.54
Ultrasound diagnostic test	4,312.12	4,436.49	4,551.27	4,630.72
General blood test	1,412.09	1,437.37	1,456.30	1,477.31
Initial visit to dentist or denture specialist	806.61	819.15	848.94	869.93
Trade union sanitarium (one bed-day)	14,870.76	15,089.67	15,429.62	15,594.29
Recreation home (one bed-day)	9,171.17	9,246.79	9,332.26	9,332.26
Will certification by notary public	15,089.12	15,327.48	15,329.92	15,329.92

Footnotes:

* Data on volume of sales of consumer goods and services to the population are given taking into account expert estimates of the volume of sales at unregistered enterprises, as well as nonorganized imports and sales of goods conducted by private individuals.

** Ratio of number of cities where item was available on date of survey to total number of surveyed cities (132).

*** Ratio of saturation coefficients adjusted for data comparability.

Department of Taxation Police Director Reviews Agency's Role

944E0600A Moscow ROSSIYSKIYE VESTI in Russian 10 Mar 94 p 9

[Interview with Tax Police Lieutenant General Yu.V. Chichelov, deputy director of the Department of the Tax

Police of the Russian Federation, by Ivan Sas, under the rubric "Law"; place and date not given: "Do Not Take Too Much From the Bee. Can This Commandment of the Beekeeper Become a Commandment for the Tax Police?"]

[Text] The Russian tax police is now two years old. Our interlocutor, Tax Police Lieutenant General Yuriy Vasilyevich Chichelov, deputy director of the Department of the Tax Police (DNP) of the Russian Federation, was among those who initiated the creation of this new law enforcement structure.

[Sas] Yuriy Vasilyevich, what caused your service to be created?

[Chichelov] To understand the situation, let us mentally go back about two years and try to look at our reality through the eyes of the main enforcer of the law in the

area of taxation—the tax inspector. These positions in state tax inspectorates were mainly held by women.

What did it mean for the tax inspector to go and check out a so-called "commercial" or private company? It was quite an ordeal. Tax legislation was violated every step of the way, and then not in trifling ways but to the tune of millions or even billions concealed from taxation. Two ways for circumventing the law became the most common. The first was to bribe the tax inspector. The second was to intimidate the inspector. There were a great many scenarios for carrying out either one.

It became obvious that the new system of taxation could not function effectively in the absence of a compact, well-equipped structure with the powers of a law enforcement organ that would be capable of putting an end to the rampage of crime in the sphere of tax legislation, offer protection to tax inspectors in the line of official duty, and prevent corruption in the tax organs. All of these tasks were entrusted to us. By now, we can say with complete confidence that the creation of the tax police was a farsighted and timely step.

[Sas] However, Yuriy Vasilyevich, the number of violations of law in the area of tax legislation is growing....

[Chichelov] Unfortunately, this trend is gaining strength, which seriously concerns us.

Nonetheless, the current situation is fundamentally different from the one that existed two years ago. At that time we just had to state the facts and throw up our hands. At present, both the criminal business and just dishonest taxpayers are forced to reckon with the fact of the existence of the tax police. It has already made its presence known as a major force.

Look at the results of the operation of the federal organs of the tax police last year, for example. These organs, independently or jointly with the State Tax Service, uncovered and put an end to more than 32,000 violations of tax legislation. More than 600 criminal cases were initiated in conjunction with the concealment of income on both a large and particularly large scale. More than 1,000 enterprises and organizations were uncovered which were not even registered with the tax inspectorates, to say nothing about the payment of taxes. About 1 trillion rubles [R] was assessed for collection by the state budget, with the foreign exchange equivalent included, based on the results of independent audits and those carried out jointly with the State Tax Service.

As of now, the tax police has 88 territorial organs of the tax police with more than 11,000 employees; in keeping with a decree of the government, this number will come to about 40,000 by the end of the year.

[Sas] Not a whole lot for a country like Russia. In some Siberian rayon-seat town they will perhaps learn about the existence of the tax police only from the newspapers. Meanwhile, the situation needs to be controlled there, too.

[Chichelov] You are right in that we indeed will not have an opportunity to establish our local organs in each rayon seat. However, this is not at all to say that no attention will be paid to the Russian backwaters.

Now that you have touched on Siberia, I will also explain this by using an actual example. In Kemerovo Oblast there is the city of Berezhovskiy. The operation of the local tax inspectorate there was actually paralyzed by October of last year by several criminal groups that controlled local commercial structures. The employees of the inspectorate were literally terrorized by continual threats. Seeing that they were getting away with everything, the criminals began to act on their threats. Setting fire to the apartment of the chief of the Berezhovskiy GNI [State Tax Inspectorate] became the high point of the activity of the local mafia clan.

For this reason, the DNP Directorate for Kemerovo Oblast, jointly with the Directorate for Combating Organized Crime of the Oblast Internal Affairs Administration, developed and executed an operation to normalize the situation in Berezhovskiy with their own resources. The operations team also included the best trained employees of the State Automotive Inspectorate and GNI of the oblast. As a result, they succeeded in more than just straightening out the situation in the city. The operation that was carried out had a great preventive impact in other rayons of the oblast.

I am driving at a simple truth: Crime should be combated by skill rather than by numbers. We bet here on two things—the supreme professionalism of our employees and the closest possible cooperation with the State Tax Service and other law enforcement organs.

[Sas] Where do you get such professionals, given that, to my knowledge, nobody trains them in Russia to this day?

[Chichelov] Complaints have already been voiced in some quarters about the department supposedly "luring away" the best cadres from other ministries and departments. However, this is not happening, and it never has. At the very beginning, small quotas for specialists on temporary assignment from the organizations of the former Ministry of Security and Ministry of Internal Affairs totaling about 1,000 people were given to us on instructions from the government. The Ministry of Defense detached to us more than 3,000 people. We did not set any conditions for anyone; we just took the people who were given to us. Later, we professionally trained them ourselves. The leadership of the department was the first to sit at the training desk. Take a look—here is my certificate of graduation from a special course of the Instruction and Information Center of the State Tax Inspectorate of the city of Moscow.

[Sas] Yuriy Vasilyevich, I see that you even had to take a test in accounting....

[Chichelov] The complexity of it is in the fact that the profession of tax policeman requires a combination of the most varied skills. As a rule, he should know finance,

the credit system, and monetary circulation well in order to be head and shoulders above any accountant, if you will. On the other hand, he is a functionary of the law enforcement organs; he cannot do without substantial legal training. There are virtually no such ready-made professionals. This is why we have to train people. Naturally, former employees of "coercive" departments come here. We also hire experienced financiers and lawyers from among the civilian population.

Of course, this is not to say that our doors are open to all. It is equally important for us that these are people with a high safety margin as far as morality goes.

There have been new developments that are particularly pleasant for us: Not long ago it was resolved to open the Tax Police Institute using the facilities of the Finance Academy of the Russian Federation Government; classes will begin as early as this September.

We are also opening our own center for training and retraining newly hired employees with a college education.

[Sas] Yuriy Vasilyevich, the tax police needs incorruptible people. However, at present the popular view is that there are no such people, and the amount given is all that matters....

[Chichelov] Such cynicism is characteristic only of those who recognize no values other than money and wealth. Luckily people are still around for whom the notions of duty, honor, and conscience are not the least important ones. There is no dearth of relevant examples.

Last year, only four criminal cases were instituted against the employees of the tax police for having taken bribes. Naturally, the continuation of service with us is out of the question for these individuals.

[Sas] What is your assessment of the current tax legislation? What is necessary in order to change the situation?

[Chichelov] An entire set of measures of an economic, legal, and organizational nature which would eliminate the very grounds for tax crimes and violations of law is necessary.

The main trouble with tax legislation is that thus far it does not give incentives to the manufacturers of merchandise and services, and renders their efforts unprofitable. It is no accident that this was noted in the message of the Russian Federation president to the Federal Assembly. I recall a story by Agranovskiy Senior in which an old beekeeper applied the wisdom of beekeeping at the level of state policy. The first commandment of the beekeeper and the architect of state alike should be: Do not take too much away from the bee. Take as much as will motivate the beehive to labor, and not the other way around. At a difficult time, he should incur expenses himself but should feed the bee family. If he gets greedy, he will be left not only without honey but also without bees. The basket of the beekeeper whose bees prosper is always full.

Conflict Between Government, Former UN Employees Over Pension Examined

944E0577A Moscow *NEZAVISIMAYA GAZETA*
in Russian 6 Mar 94 p 6

[Article by Oleg Rubnikovich: "Hard-Currency Pensioners Want To Get Their Money"]

[Text] Attempts by the Association of Former International Civilian Employees of the United Nations to obtain payment from the Russian Government of hard-currency assets awarded them from the United Nations Pension Fund have reached an impasse.

On 20 November 1958, the USSR Council of Ministers, "with the aim of eliminating excesses in the material support provided Soviet citizens working in the apparatuses of international organizations," began collecting from them two-thirds of their currency wages and all of their pension accruals on a compulsory basis. Instead of dollars, our fellow countrymen began receiving Soviet rubles. It is quite curious that pensioners could officially choose between receiving the allowance from the United Nations Pension Fund in currency or transferring their accumulated savings to the USSR Social Security Fund and receiving rubles. But in fact, as the victims themselves assert, they did not have any choice whatsoever and had to subordinate themselves to the dictate of the government under threat of sanctions. It should also be taken into account that whereas prior to the end of the 1980's, "international" pensioners were entirely able to exist on a 160-ruble individual pension of USSR value, and possibly did not grumble too much for that reason, today most of them receive not 100, 200, or even more dollars, but no more than 80,000 rubles. Their situation is truly problematic.

Thus, we have to say that for 30 and some odd years, our own state scraped together a decent amount of capital on hundreds, if not thousands, of "hard-currency" pensioners. According to the Russian Pension Fund, these funds did not go to the budget account of USSR State Social Insurance, allocated for pension security. For want of a currency account there, the funds simply went to the state budget.

The discriminatory decree remained in force until 1 January 1991, when the USSR Council of Ministers decided to repeal it. Serving as the impetus for this, apparently, was a letter of Perez de Cuellar, Secretary General of the United Nations, addressed to countries that have confiscated funds from their citizens working within the United Nations system. The message emphasized that "this practice does not conform to the United Nations Charter, contradicts personnel regulations, and is damaging to basic principles of international civil service." Since January 1991, not one former Soviet—or today Russian—international civil servant retiring on pension has chosen a ruble pension over a hard-currency one.

However, extending at last to Russian employees of international organizations the opportunity to themselves dispose of their earned hard currency, the state "forgot" to restore the rights of those who "voluntarily" exchanged their currency pension for a ruble one over the course of the past 30 years.

To the numerous applications by members of the Association to Russian and international authorities requesting reinstatement in the United Nations Pension Fund and the return of unlawfully confiscated money, the majority of such organizations responded with silence.

The scandalous story continued following the appeal of Vladislav Tikhomirov, former United Nations employee, to the Constitutional Court. On 1 July 1993, examining the case of Mr. Tikhomirov, the court also acknowledged the right of the Association of Former International Employees to stand up for the interests of their members. The court established that the 1 December 1958 decree violated the UN Charter, the Universal Declaration on Human Rights, the Convention on UN Privileges and Immunities, and so on. Indeed, it was recommended that the government reinstate the plaintiffs in the UN Pension Fund. Following this, upon request of the Russian Federation Ministry of Foreign Affairs, the process was postponed two months. A representative of the ministry promised to resolve the problem on the governmental level over this time frame. However, the Ministry of Finance and Ministry of Social Security took up a rigid stance—there was no money. In the meantime, the Russian Federation Ministry of Foreign Affairs admitted that pensions were confiscated from former Soviet employees of the UN in violation of the Charter of this worldwide organization and other international agreements concluded under its aegis. As a result, a double standard was put into effect: 158 former employees receive pensions from the UN Pension Fund, and 87 individuals are denied this right.

Not too long ago, the Constitutional Court received a response from Mr. Chernomyrdin, prime minister of the Russian Federation Government, stating that the government intends to examine this issue.

In the meantime, the UN Pension Fund is attempting somehow to resolve this problem as it conducts negotiations with the Russian representation of the United Nations in New York. Without instructions from Moscow, however, the latter is not competent to decide this question, and the matter will most likely again come to a standstill. It should also be noted that the search for palliative measures on the national level will not resolve this problem and will not halt the stream of complaints to the United Nations and the courts. UN provisions with respect to securing pensions for its employees have been ratified by the General Assembly of this organization. These provisions are unique. They do not coincide, and indeed cannot coincide, with the national pension plans formulated in isolation and effective in 160 member states of the United Nations.

Factors Contributing to Burgeoning Crime Viewed 944E0583A Moscow SOVETSKAYA ROSSIYA in Russian 12 Mar 94 p 2

[Article by B. Pogorelov and V. Uvarov, senior special investigators under the general procurator of the Russian Federation, and I. Kuryanov, special investigator of Voronezh Oblast procuracy: "A Case of Special Importance: Investigators Appeal to Authorities and the Public"]

[Text] Over the past years we have been hearing constantly about crime overcoming the country, with corruption accounting for an increasingly greater share of it. This topic gets especially exaggerated and played up during the period of preparation for a referendum and in speeches of candidates for deputies on the threshold of another election.

Yes, crime has indeed overcome Russia: Gangsters are on the rampage; businessmen are the prey of choice; people are killed day and night, on the streets and in their apartments; bombs are placed in their work place and homes; huge numbers of bureaucrats reap dividends from simply doing what is supposed to be part of their job; increasingly often, the criminals' victims are children.

In 1993 the highest rate of solving all kinds of crime in Russia was 69.7 percent in Tambov Oblast, the lowest—34.1 percent in the Republic of Karelia. In Moscow and Petersburg, respectively, the figures were 44.5 percent and 44.4 percent. All in all, **2,799,644 crimes were registered** in Russia (not counting latent, unregistered crimes), of which only 50.8 percent were solved, that is, one half. A more than depressing picture.

What, in our opinion, stands in the way of putting a successful barrier to the bacchanalia of crime? First and foremost, of course, **political instability and the economic crisis**. They create fertile soil for criminal activities. But there are also organizational shortcomings in crime-prevention work itself. Among them we should point out first and foremost the fact that investigative-operational units are scattered among different agencies and their actions are poorly coordinated. Tremendous damage to the cause is created by the lack of a new legislative base. And what is most depressing, there is no light at the end of the tunnel; moreover, on the wave of reformist agitation, "preferential" laws are being adopted in the interests of criminals.

There are also other factors contributing to runaway crime. Among them are lack of responsibility for failures in investigative work, which is often conducted poorly from a professional standpoint; the inequality of citizens before the law; and the MVD [Ministry of Internal Affairs] being overloaded with other tasks that are unrelated to crime solving.

Especially regretful is the failure to use to the necessary extent the operational and technical potential of the

former Ministry of Security [MB], which is being endlessly spontaneously reorganized, a fact the criminal world is skillfully using to its advantage. It is possible that the initiators of the final abolishment of the Ministry of Security were guided by good intentions. But what was the result of not seeing the absolutely obvious outcome? A highly skilled investigative apparatus, which is so much needed today, has been destroyed. It is true that its cases under investigation—and there about 2,000 of them—were transferred to the procuracy, together with the suspects in detention. But who will investigate them there, especially within a compressed time frame? Especially taking into account their specificity? The investigators from the now former MB have not been transferred to the procuracy, so in reality the investigative corps has been reduced in total number. The result is that the only ones to gain from this presidential edict are the criminals, and not the small fry at that.

Not least important in this disintegration are political appointments to jobs in law enforcement. Let us look once again at the interagency commission for combating crime and corruption. While its creation could be perceived as the desire to have a highest-level coordinating body, the appointment of a politicking lawyer as its head at the very least raised the eyebrows of everyone more or less knowledgeable in these matters.

The results, as they say, were quick to show. Slandered, as the Moscow City Procuracy has established, Rutskey had to be hastily exonerated in the eyes of the public opinion...

How do we see the body for combating crime (the name is not important—whether it is a department, ministry, committee, bureau, and so on)? It must include an investigative committee, comprising units along the following lines: criminal investigations, and a combined unit for combating economic and organized crime. Currently existing units most often duplicate one another's efforts. It should also include expert evaluation institutions (except medical), operational units, and investigative detention facilities. Naturally all of them should be removed from MVD jurisdiction. It should maintain business contacts and interaction with the Federal Counterintelligence Service, and conduct joint actions on matters within the latter's competence.

Gathered together, in one powerful fist, the aforementioned units—the head of the entire structure absolutely has to be a member of the Security Council—will be capable, in our opinion, of conducting investigations promptly and successfully, and in the final analysis, suppress crime.

We cannot leave unmentioned the role of investigator in such a body. In essence he is the main actor, and it is for him that the operational services should work within the framework of a specific criminal case, intensifying or reducing their activities depending on the results. He should receive in writing all their information without identifying the sources, which then remains outside the

bounds of the case handed over to the court, which allows who did what and how to be checked.

Right now information relevant to numerous cases under investigation bypasses him, goes into the file of a militia operative, and after a period of time is destroyed. On top of that other militia officers, who are not part of the criminal case (and responsibility for it) have access to it, as well as technical personnel at the stage of registration and handling. That is, there is a myriad of opportunities for information leaks, and only the procuracy investigator, alas, has no access because it is classified. A criminal can take advantage of this information, but the investigator cannot. This situation allows criminals to avoid prosecution, and operational services—to hide their inactions and incompetency. There is also great potential here for abuse of official position.

The time has come to bring up the question of redefining the rights and duties of the investigator and the procurator, and their relationship. The current Criminal Process Code of Russia says that in the course of preliminary investigation the investigator makes independently all decisions on the direction and conduct of investigative action, with the exception of instances envisaged by the law when a procurator's sanction is needed (and now from the court as well), and also bears complete responsibility for their legal and timely conduct.

Complete independence? Do not be too hasty. Here are the rights of the procurator, which do not leave the investigator any room for independence. He, the procurator, initiates the case and requests an audit; revokes investigators' decisions; issues written instructions on investigating a crime, on selecting, changing, or repealing a measure to secure the appearance of the accused, on classifying a crime, and on conducting individual investigative actions, and all his instructions are mandatory for compliance; participates in conducting investigations, personally conducts certain investigative actions or full investigations; removes the investigator from further handling of the case; affirms the bill of indictment; and sends the case to the court...

In other words, **it is the procurator** who makes all the major decisions on the case, while the investigator is relegated to the role of **executor** of his will, which is far from always based on the law.

A serious miscalculation was made by the procuracy's previous leadership in the GKChP [State Committee on the State of Emergency] case. It was precisely this case that did a lot of damage to the procuracy's authority, and that of the investigators with it, although their fault in this is a lesser one. Considerable resources and high-level specialists were brought into the investigation of that case; they carried out their duties in keeping with the requirements of the law. However, the proof they collected was evaluated not by them but by Procurator General—now former—V. Stepankov, his deputy Ye. Lisov, and V. Frolov.

One of the authors of this article was in Foros and worked with the border troops personnel, who were blamed for everything under the sun during the first days after the rescue of the "Foros captive." Who, by the way, has never been found a victim in this case. The investigator's assessment, based on the testimony of the people who guarded the president's dacha, not only was not needed by anyone—the team's leadership did not even listen to his report on the work done.

As to the circumstances of developing the procurator's assessment, which then became the basis for the prosecution's case, there was a testimony of one of the organizers of the investigation—the same V. Frolov. In *IZVESTIYA* dated 11 January 1994, in his "advice" to the procuracy he blames himself for at the time "...not having been able to find a precise classification for the case. But this was an unprecedented case, and the opinions of scholars and specialists were split exactly half-and-half..." That is interesting; somehow, we, during all our years of investigative work, believed that the facts that serve as evidence are established through the testimony of a witness, the victim, a suspect, the accused, and others, among whom the "opinions of scholars and specialists" or perhaps someone else are not envisaged by the law.

By the way, it is not surprising that Mr. Frolov was not able to "determine his position." Although he is called a "former investigator," and after his interrogation of Gorbachev even was listed for some time as the "prime" investigator, he never worked as one in his life. Hence Mr. Frolov's "advice" to produce a political rather than legal assessment of the actions of those using tanks to shell point-blank the parliament legally elected by the people, and those who issued this order.

We think that all jurists, including the "resigned" General Procurator of the Russian Federation, A. Kazannik, who recently wrote an anniversary article about A.F. Koni, remember how the latter made precisely a legal assessment of the criminal case against V. Zasluch, for which he ended up for many years in disfavor with the authorities but went down in history as a great jurist. **There are people in Russia to emulate!**

The State Duma amnestied the participants of the October events. However, the lessons of the investigative actions in this case must be learned.

As is known, the Office of the General Procurator of Russia initiated criminal proceedings on the Moscow events on 3-4 October 1993. Article 20 of the Criminal Process Law, which is mandatory for the procurator and the investigator, says that they, along with the court, must take all measures envisaged by the law in order to conduct a comprehensive, complete, and objective investigation of the circumstances of the case; the next article of the same law mandates that the causes and conditions that contributed to the commission of the crime must be identified. Based on these requirements, an investigator must examine the "site" of the incident,

facilities, objects, and documents for the purpose of uncovering criminal evidence and determining the situation.

Now a trick question. Was it necessary to examine the Russian parliament? Without question, any jurist will say, and it had to be done right away on 4 October, immediately after the president's opponents left it. The investigators in the central apparat waited in vain for instructions to go and examine the site of the incident. The investigators spent the first half of 5 October waiting.

Now let us turn to ex-General Procurator V. Stepankov, who recently broke his vow of silence and in an interview to the Perm newspaper *ZVEZDA* said the following. "On 3 October [as published] we found no corpses in the White House. Not a single one. Therefore, the investigation was deprived of the opportunity to establish to the full extent the cause of death of each person who had been taken away from this building before we arrived. What we saw differed a lot from the picture in which the White House is presented as a source of threat stuffed with numerous armaments."

Excuse me, Mr. Stepankov, but why did you not fulfill your duty and did not issue instructions to begin the examination as early as 4 October, or at least in the morning of 5 October, and did so only after all the casualties had been removed, thus immediately nullifying all the efforts of the investigators to establish the truth?

And generally, the question of "the eyes of the sovereign" deserves special attention. They are losing their vision increasingly often. Examples? Certainly... The general procuracy removes itself from initiating a criminal case based on the fact of V. Bakatin's handing state secrets over to the United States. The law is the law, and no matter how you twist it, the actions of the former chairman of the KGB did contain the attributes of the crime envisaged by Article 64 of the RSFSR Criminal Code—betrayal of the motherland. How many facts of pilfering the national wealth with the participation of highest officials have come to light, while criminal proceedings have not been initiated in a single one.

We have had five general procurators over the past few years. All of them were appointed for understandable reasons. M.S. Gorbachev had A.Ya. Sukharev; the situation changed somewhat—now it was N.S. Trubin; during the period of the "battle of sovereignties"—"our man" V.G. Stepankov. He did not meet expectations and was immediately replaced. A. Kazannik did not carry out the president's "political will" (again, let us note, not the law but someone's will), and he had no choice but to resign.

All the aforementioned procurators had something in common, however: They all attempted to subjugate the investigative apparat and use it in political battles.

There is no question that in matters of combating crime far from the last place belongs to the preliminary investigation, which should be concentrated in only one single organization. In order for it to function normally, norms of criminal and criminal process law must be urgently changed to take current realities into account. The procuracy's oversight over investigations must be abolished by transferring the right to issue sanctions to the court.

Perhaps it makes sense to have in the central apparatus a few irremovable investigators for the investigation of cases of particular importance—for instance, those initiated on the materials of parliamentary commissions. The legal status of such an investigator will protect him from bureaucrats' arbitrariness and enable him to work in keeping with the letter of the law.

As to the procuracy, it should be retained, without the right to oversee investigations, and precisely as an eye—an all-seeing eye at that—that will promote compliance with the law and facilitate the building of a law-based state. It is a different matter to correctly organize its work, find qualified personnel, and place them skillfully, to serve the law and only the law, and to rid itself of inert, unprincipled staff members who "go with the flow" and orient themselves on "evenly split" opinions.

In this article we, professional procuracy officers, have presented our views on investigation and the shortcomings existing in combating crime, and it will be enough of a reward for us if at least some of what we have said will be used to root out problems.

Violations of Press Law in City Protested

944F0460E St. Petersburg SMENA in Russian
7 Mar 94 p 1

[Report by Aleksandr Lvov under the rubric "The Press": "Foundation for Protection of Glasnost Protests Violations of Media Rights in Petersburg"]

[Text] **Aleksey Simonov, chairman of the board of the Foundation for the Protection of Glasnost, sent a protest to Deputy Mayor Valeriy Malyshev regarding the violation of radio broadcasting companies' rights in Petersburg contained in the "Directives" sent by Malyshev to heads of rayon administrations and in the proposed contract between the GTRK [State Television and Radio Company] Petersburg—Channel 5 and rayon administrations.**

A broadcaster called "Administration" is not envisaged in any law, and granting this subject—mythical from the standpoint of the "Law on the Mass Media"—the right to enter a contract with a GTRK is not only illegal but simply unnatural. There are rayon desks registered as mass media entities (dependent or independent of rayon administrations), and only they may be the subject of contracts involving broadcasting, says the protest.

In addition, Simonov draws Malyshev's attention to the fact that the GTRK Petersburg—Channel 5 itself does

not have a license to conduct broadcasting over the wire, and therefore its claim to exclusivity in wire broadcasting is extremely questionable.

And finally, the unit that has been set up in the GTRK for the purpose of monitoring the content of radio programs broadcast by rayons is an act of local censorship, which in principle is contrary to the current law.

As to election materials and their broadcasting through rayon "desks," the executive branch does not have the prerogative to sanction or ban this, even less so the "mother" television and radio company.

"The fund is ready to support a court action by any of the rayon desks, whose legitimate rights are infringed on either by the 'Directives' or the 'Contract,' of which we hereby inform you simultaneously with this letter," Aleksey Simonov continued.

Kurkova Denies Wrongdoing at St. Petersburg TV

944F0481A Moscow SEGODNYA in Russian
10 Mar 94 p 2

[Article by Aleksandr Pozdnyakov under the rubric "Broadcasting": "Channel 5 Has Received the Right To Control City Radio Broadcasts"]

[Text] In her speech on one of the programs of St. Petersburg radio, the manager of RGTRK [Russian State Television and Radio Company] "Petersburg—5-y kanal" [Petersburg-Channel 5], Bella Kurkova, called the accusations of financial violations against the management of the television and radio company an attempt at political opposition and announced her intention "to fight against them as is proper for a journalist." In her opinion, it is useful for the national-communist opposition to undermine the authority of the large television and radio company on the threshold of elections to the City Assembly in order to besmirch not just the reputation of the RGTRK Petersburg-Channel 5, but also the reputation of the political organizations close to the company's management.

According to some information, the deputy mayor of St. Petersburg, Valeriy Malyshev, sent an edict to all the city's rayon administrations to prevent any cases of uncontrolled pre-election broadcasts by rayon radio stations and to see that thereafter the content of pre-election broadcasts is coordinated with the management of the RGTRK Petersburg-Channel 5. In Mr. Malyshev's opinion, it is precisely the RGTRK which is the only rightful broadcaster in the entire city, and all the other broadcasters (even those registered as mass information media) which use the city radio broadcast network must ask its manager for permission to prepare their programs.

But it is possible that the scandals surrounding RGTRK Petersburg-Channel 5 are the result not so much of political as commercial grounds. According to some information, the RGTRK management is working up a

variant for creating a joint stock company (with all buildings, structures, and equipment of the RGTRK transferred to it) with the participation of the American company TV and Radio St. Petersburg, which proposes to offer 49 percent of the charter capital of the future joint stock company, and of another limited partnership whose founders are as yet unknown. The documents on the joint stock company's creation were passed through by Dmitriy Mezentsev, head of the mayor's office committee for press and mass information media, and arrived on the desk of the minister of the press, Vladimir Shumeyko. However, the television and radio company's financial activity is of increasing interest to law enforcement organs. The procurator's office demanded documents on its deals with the joint stock company "Kommercheskiy tsentr TV i radio Sankt-Peterburga" [Commercial TV and Radio Center of St. Petersburg] and the joint stock company "Nevskiy Glashatay" [Neva Herald].

More on Scandal Allegations at St. Petersburg TV

944F0481B Moscow SEGODNYA in Russian
17 Mar 94 p 3

[Article by Aleksandr Pozdnyakov under the rubric "Unpleasantness": "The Financial Scandal Surrounding St. Petersburg Television Thickens: Bella Kurkova Demands She Be Recognized as a 'Victim of Political Provocation'"]

[Text] The scandal surrounding the financial activity of the management of the television and radio company "Peterburg—5-y kanal" [Petersburg-Channel 5] has finally become just like a political mystery story now that its manager, Bella Kurkova, officially acknowledged the fact that her deputy for advertising activity, Mikhail Syroyezhin, had disappeared. Ms. Kurkova accused the missing man of organizing the mass provocation against her personally and against the democratic management of the television and radio company as a whole by setting up a sponsorship agreement between "Kommercheskiy tsentr TV i radio Peterburga" [Commercial TV and Radio Center of St. Petersburg] and the limited partnership "Nevskiy Glashatay" [Neva Herald], which her husband, Vadim Tareyev, heads. That agreement was the cause of the scandal.

According to information which is as yet unconfirmed, Mr. Syroyezhin is now in Austria, protecting himself from the focused interest of law enforcement organs. People in the company are also saying that the missing man called Ms. Kurkova and informed her that he is in one of the hospitals on Russian Federation territory where he is hiding from the "raids" of racketeers. It is possible, however, that both versions are far from reality, since contradictory rumors are flying through the halls of the RGTRK [Russian State Television and Radio Company] that Mr. Syroyezhin was seen in the United States, while others allege that he has "holed up" in Moscow.

However, it has become known that there exist directives signed by Mr. Syroyezhin transferring large amounts of the television and radio company's capital abroad—to the account of the company TV and Radio St. Petersburg, whose founder is once again Mr. Syroyezhin himself. Taking into account the fact that it was the "American" company TV and Radio St. Petersburg which, with the approval of the vice premier of the Russian government, Vladimir Shumeyko, was supposed to receive 49 percent of the charter capital in conjunction with the joint stock company RGTRK Petersburg-Channel 5 (the RGTRK with Mr. Shumeyko's approval was supposed to invest all its buildings, structures, and equipment in the joint stock company's charter capital); it is likely that the scandal will prove to be larger than was initially supposed.

It is interesting that Mr. Syroyezhin at one time was appointed deputy chairman of the RGTRK by that same Ms. Kurkova. Now even she and her husband are trying to have nothing to do with the energetic Mr. Syroyezhin. In a statement on one of the broadcasts of St. Petersburg radio, Mr. Tareyev explained that he took R12 million as sponsorship aid from the joint stock company Commercial TV and Radio Center of St. Petersburg (although he suspected its indirect budget origin) and surrendered to the persuasion of Mr. Syroyezhin whom he trusted because he knew his father, a scientist well known in Petersburg.

Ms. Kurkova in turn explained that she knew nothing at all about her husband's firm receiving major financial aid from the partners of the state television and radio company which she manages.

Now the management of the RGTRK Petersburg-Channel 5 is trying to impart a purely political look to the scandal surrounding the RGTRK's financial activity. In a broadcast on St. Petersburg radio, which is subordinate to Ms. Kurkova, she was called a "fearless journalist whom her enemies, most of whom she acquired during the years of perestroika, want to settle accounts with." Taking into account that the political opposition had a hand in the appearance of the packet of documents on the activity of the management of the RGTRK Petersburg-Channel 5 at the procurator's office, Bella Kurkova announced that the ultimate goal of the organizers of the scandal is to "remove first Kurkova, and then Sobchak, and then even Yeltsin from office."

A special presidential commission which came to St. Petersburg to verify the accusations against Ms. Kurkova is more and more inclined to the conclusion that if the RGTRK management did in fact do some strange things, it was not out of malice; the head of the commission, Andrey Semikolenny, announced in an interview on St. Petersburg radio: "Kurkova has become a victim of major political provocation." It is altogether possible that even the city procurator's office will be satisfied with the explanations of the "difficult circumstances" in which the management of the television and radio company found itself and will terminate the investigation.

Communication Workers' Representative on Strike Prospects

944F0453A Moscow OBSHCAYA GAZETA
in Russian 11-17 Mar 94 p 2

[Interview with Anatoliy Nazeykin, chairman of the Central Committee of the Trade Union of Communication Workers, by Ivan Akkuratov, correspondent of OBSHCAYA GAZETA: "Strike on the Air"]

[Text] After the warning action by communication workers, when television screens went out in many regions of Russia, the government promised to look into their problems and to rectify the situation in the very near future. Therefore, all the more unexpected is the call for an all-Russian strike by RTPTs [not further identified] workers. A correspondent of OBSHCAYA GAZETA contacted by telephone Anatoliy Nazeykin, chairman of the Central Committee of the Trade Union of Communication Workers.

[Nazeykin] After the February events, when communication workers banded, as they say, their fists on the table, we managed to handle only last year's debts. Communication workers have already received about 30 billion. The government promised to cover the remaining 35.9 billion in the very near future. Up to now it is unclear what will be this year. Contracts with many television and radio companies have not been concluded and there is no financing. It is not even clear how many state television programs and what their broadcasting volumes will be.

[Akkuratov] Could a meeting with the prime minister solve the problems?

[Nazeykin] We have not yet seen Chernomyrdin. Proposals for the government draft decree on television and radio broadcasting had to be prepared first. The document must determine how it will develop and who will manage it. The draft (it already exists!) discusses the establishment of the Teleradioinform Company under the Ministry of Communications. In the future television and radio companies will have to conclude contracts for technical servicing with it. Taking into consideration the big delays in the payment for our services, we proposed that a point on prepayment be introduced into the decree.

[Akkuratov] However, the February action, seemingly, has brought results. Why are passions inflamed again?

[Nazeykin] Because in a number of regions—Kirov, Kemerovo, Tula, and Voronezh—they began to set procuracies against communication workers. Although in February a strike was not even discussed—a reduction in broadcasting volumes, yes. Incidentally, in oblasts, where heads of administrations allocated money from their budget, broadcasting was not reduced. Now RTPTs labor collectives demand that the prosecution of their

leaders be stopped, but their opinion is ignored. Dissatisfaction is growing and people are declaring their intention to use extreme measures.

[Akkuratov] Political demands, as in February, are not put forward?

[Nazeykin] When in March people receive wages for November and December—is this policy or not? The state has four television channels, let it pay for them. If it is unable to do so, let it give them to commercial structures. Communication workers are dissatisfied with the fact that television and radio companies do not settle their accounts with them for advertising, which takes more and more time on the air.

[Akkuratov] Are you not disturbed by the fact that, by "punishing" the state, you infringe primarily upon television viewers' rights?

[Nazeykin] What is left? During the entire year of 1993 we talked about our unfortunate situation. No reaction. Then we decided to resort to a reduction in broadcasting. At first we scheduled this for 1 July and then we postponed this to 12 August. To 1 October. And, again, nothing but promises. The broadcasting center in Kamchatka was idle for an entire month. Power engineering workers shut it off owing to our debts. Most technical centers have been operating to the point of wear for a long time. Basic equipment has become disabled. There are no funds to buy new equipment. What is there to wait for?

[Akkuratov] Nevertheless, how realistic is an all-Russian strike by communication workers?

[Nazeykin] If the attempts to prosecute the organizers of the February action do not stop, it will be difficult to guarantee anything. Labor collectives can no longer be held back by promises to analyze the situation. If RTPTs leaders are not protected, the process will become uncontrollable. And then the consequences are unpredictable.

Allegations About Communications Agency Hit

PM2303152594 Moscow ROSSIYSKAYA GAZETA
in Russian 23 Mar 94 First Edition p 4

[Vladimir Klimov article under the rubric "Only in ROSSIYSKAYA GAZETA": "'Greetings' From the Other Side, or Whose Interests Does the Federal Government Communications and Information Agency Protect"]

[Text] Recently the press has carried a series of articles criticizing the activity of the Federal Government Communications and Information Agency under the Russian Federation president. Particular zeal in this respect has been shown by a Mrs. Selivanova, whose byline appears on a number of articles in SEGODNYA and KOMMERSANT-DAILY. Such close attention on the part of the press, or to be more accurate on the part of a single

writer, to a structure that cannot be found even in government handbooks prompts a legitimate question: Why is this?

First of all I want to say thank you to Mrs. Selivanova. Were it not for her articles I, first, would still find it difficult to decipher the abbreviation FGCIA (Federal Government Communications and Information Agency) and, second, would not know that the FGCIA is a powerful pillar of the state and that there are termites trying to undermine that pillar. Why do I reach these conclusions? Because, now that I have familiarized myself with the substance of the question, I have arrived at the opinion that Selivanova's articles "Yeltsin in Gorki-1994" and "Sparkling Days of Kremlin Administrators" (SEGODNYA) and "Mind What You Say: Walls Have Ears" [Slovo ne vorobey: poymayut—vyletish] (KOMMERSANT-DAILY) contain so many fantasies and distortions that you get the firm impression that the author is interested in achieving certain aims that are not expressed in the articles.

But before citing examples, let us say a little about the FGCIA and about what the Federal Agency does for the state. Only someone who is utterly uninformed can argue that the FGCIA has a monopoly in the sphere of providing information support to state structures (and Mrs. Selivanova speaks precisely of monopolism). In fact the FGCIA is part of a system of information support for organs of state power which also includes the independent channels of the Foreign Ministry, Defense Ministry, Ministry of Internal Affairs, State Committee for Statistics, Federal Counterintelligence Service, Foreign Intelligence Service, and others. But it is precisely the FGCIA that brings together the best scientific minds in the field of cryptography, specialists capable of closing any channels for the leakage of information of state importance.

Recent events in the life of the intelligence services again prove that foreign states' special services have by no means slackened their work. They have perhaps just slightly reoriented it toward the economy. They are now stepping up their efforts to intercept and analyze large amounts of non-secret information, obtaining as a result valuable data about Russia's life and activity. U.S. National Security Agency intelligence satellites constantly orbit over our country's territory, vacuuming up information from unprotected communication lines and relaying it to powerful processing and analysis centers.

Who can shield and safeguard information of state importance from any forms of intelligence, including satellite intelligence? The answer is clear—only the FGCIA, with its powerful scientific and technical potential and many years of experience.

Nor is there any doubt that the development of information and telecommunication systems has always been ensured by a proper level of protection of those systems. This has always been the case in all countries.

I will not be able to briefly list all the conclusions of the SEGODNYA and KOMMERSANT-DAILY author

regarding the FGCIA—anyhow there is no point in doing so. I will dwell on the main ones. The elimination of the Information Resources Administration (IRA) within the structure of the President's Administration and its transfer to the FGCIA structure as a main administration is declared to be virtually a disaster.

If you proceed from the essence of the matter, this merger was aimed at implementing a unified technical policy, removing the duplication that existed, enhancing the reliability and security of information and telecommunication systems in Russia's organs of state power at the center and at local level, and also precluding the unjustified and ineffective use of budget funds intended for the creation of new communications and computer systems without regard for the existing information and telecommunications resources in our country. Translating this semiofficial language into something more intelligible, let us ask: What is the point in funding several communications systems from the state budget and why should a single consumer receive the same information from two sources? But that is precisely what happened when the IRA existed. Now this kind of duplication and overspending is ruled out by the president's edict.

But this is where we found Mrs. Selivanova's first "greetings" from the other side. I call it that because I can only conjecture about whose interests she is attempting to uphold. And she does this so clumsily that you can only marvel. Thus in February she reported that the president had not signed the edict about the merger of the FGCIA and the IRA because he had been warned by the newspapers. That is all the president has to do—read papers containing articles about the IRA. Incidentally, even the "newspaper outcry" existed only in Mrs. Selivanova's articles.

Perhaps she is defending the interests of former IRA leader V. Kupriyanovskiy. Defending them zealously, even stooping to slander. One of the articles says that 400 IRA staffers have been accused of political unreliability. This is sheer fantasy. Practically all IRA specialists are continuing to work in their former jobs in implementation of the president's edict "On Improving Activity in the Sphere of the Computerization of Organs of State Power of the Russian Federation."

Why is Mrs. Selivanova fighting so hard for the former IRA leader? I don't think it's because of personal sympathies. But nor do I want to claim that valuable information came into the hands of the publications featuring Selivanova and their masters from the former IRA leader. As yet there is not all the necessary information on this score. I do not want to break the law.

But V. Selivanova does this with little thought for the consequences. In all her articles, and especially in KOMMERSANT-DAILY for 12 March, she directly accuses the FGCIA of illegal, anticonstitutional activities in

eavesdropping on the telephone and office conversations of top officials and compiling so-called "telephone files" on this basis.

As is well known, the procedure for carrying out investigative operations, including eavesdropping on telephone and other conversations, is defined by the law "On Investigative Operation Activities in the Russian Federation." This indicates the range of organs entitled to carry out this activity. The FGCIA is not among them, and, in my view, the agency has proper grounds for demonstrating in court that tittle-tattle in a newspaper is very different from tittle-tattle in a kitchen or on the doorstep. I think that the persons in the president's immediate entourage whom the author of the articles is trying at all costs to set at loggerheads will also not remain indifferent to tittle-tattle in the press.

Nevertheless, if you read Mrs. Selivanova's revelations closely with pencil in hand, you get the impression that the author's "greetings" could even come from the other side of Russia's state border. After all, the attack is precisely on the line of increasing the information security of organs of state power. Whether deliberately or not, Mrs. Selivanova's articles serve the interests of foreign special services, which even now, during a worldwide thaw, openly state that they obtain a considerable proportion of their information about Russia's life and activity from technical means of information transfer.

Or maybe the "greetings" come from Russian mafia structures? After all, because of the flaws in bank systems they have been able to steal hundreds of billions of rubles from the state, in other words, from you and me. Remember the numerous cases of bogus advice notes. It was the FGCIA which blocked this channel for the loss of state funds. A standard for digital electronic signatures has been developed in conjunction with the Central Bank. This technical solution makes it possible to establish the addressee and the authenticity of a financial document. Forgery is now impossible. The FGCIA ciphers are good for decades, that is, it will take that long for anyone to be able to find the keys to the ciphers.

All this confirms yet again the timeliness of the president's edict "On Improving Activity in the Sphere of the Computerization of Organs of State Power of the Russian Federation." And all this yet again refutes Mrs. Selivanova's newspaper articles.

I also have to say a few words about the lies in her articles. I'm sorry, but it's true. FGCIA leader Aleksandr Starovoytov—doctor of technical sciences, professor, and honored scientific and technical figure of the Russian Federation—came to the Government Communications Agency at a time when government communications required radical renewal and modernization. As a leader of a science and production association, he came as a recognized and experienced specialist in the telecommunications sphere. That was essentially how his active service began.

And what about the claim about magnetic fields surrounding the government White House? This gibberish is apparently designed for people who did not complete their elementary education. It is also totally untrue that the FGCIA engages in business by signing commercial contracts with foundations of dubious origin to supply them with "open-source information" from government structures.

And the style of Mrs. Selivanova's articles: "...after two years of painstaking work to overcome the undesirable consequences of 1991 the 'underground Sverdlovsk Oblast Committee' in the Kremlin in close alliance with the 'underground Gazprom' in the White House and other similar structures is finally restoring both information-political and organizational control over Russia's top state leadership." Take newspapers from 1936 or 1937—the spirit of their articles is just the same.

I am not going to ape Mrs. Selivanova in this regard and describe enthusiastically what happens to people who undermine a pillar of the state. In a democratic state everything is decided by conscience and the courts.

But in the very near future we will describe the varied, useful, and very interesting activities of various structures of the Federal Government Communications and Information Agency.

Defense Industry Suppliers to Make Gas Pumping Equipment

94P50111A Moscow *RABOCHAYA TRIBUNA*
in Russian 23 Mar 94 p 1

[Report from Gazprom Information-Advertising Center: "Gazprom Knows the Sense in Missiles"]

[Text] A delegation from the Russian Joint Stock Company [RAO] Gazprom headed by chairman of the board R. Vyakhirev visited the Perm design and production joint stock companies Aviyadvigatel and Permskiye Motory, the Iskra scientific-production association and one of the city's machinebuilding enterprises. Until recently these converted enterprises worked on orders of the defense and aviation industries, producing engines for military and civilian designation as well as missile equipment.

Last year RAO Gazprom and the Perm enterprises concluded a three-year agreement on the development and experimental production, on the basis of aviation engines, of gas pumping units with a 12MVt capacity and a coefficient of useful service life of more than 34 percent.

Beginning in the 70s the gas industry used aviation engines as drive pumps at gas compressor stations of the main gas pipelines. However, at that time Gazprom used old equipment which had already exhausted its flight resources and which had low technical-economic indicators. During its visit to Perm the Gazprom delegation reviewed the experimental gas pumping unit models

working at one of the gas pumping stations under Perm and discussed the course of further work on developing and implementing production of these units with the leadership of the Perm enterprises and design bureaus.

Production of this equipment ordered by Gazprom at Perm enterprises will allow for carrying out reconstruction at the currently existing compressor stations. As a result, the productivity of the mainline gas pipelines will increase 15-20 percent, waste of gas will drop and expenses for repair work will decrease.

In addition, the orders from RAO Gazprom will allow the Perm enterprises to maintain their scientific and technical potential. Purchases of imported equipment will decrease as a whole for each sector.

Future of Diamond Industry Viewed

944E0601A Moscow DELOVOY MIR in Russian
11 Mar 94 pp 1, 7

[Interview with Leonid Gurevich, deputy chairman of the Russian Federation Committee on Precious Metals and Precious Stones (Roskomdragmet), by DELOVOY MIR correspondent Sergey Nikishov: "Russia May Become the Fifth Diamond Center"; date and place not given]

[Text] Three years ago, when the reorganization of Russia's diamond complex was being contemplated, Leonid Gurevich, as co-chairman of the parliamentary commission on this matter, was concerned, first of all, about how to preserve the industry. Now, from the standpoint of the deputy chairman of the Russian Federation Committee on Precious Metals and Precious Stones (Roskomdragmet), he considers it possible to turn Russia into one of the world's diamond centers. The prerequisites for this exist, although there are also quite a few difficulties, he declared in an interview with DELOVOY MIR correspondent Sergey Nikishov.

It Is Better Not To Fight

[Nikishov] Recently, there has been a lot of talk in Russia about diamonds, which has seriously begun to affect the economics of this business. It happens that high-ranking state officials, without thinking about the consequences, are making statements which are causing appreciable losses. For example, statements about the fact that, in the near future, diamonds will be sold, so that funds will be available for paying wages. This is not done in commerce.

Yet, since approximately December of last year, a campaign has been unleashed in the world press, including in the special diamond publications, to discredit Russia as a partner in international affairs. It is being accused of violating international agreements, in particular, with the De Beers company. This matter has reached far beyond the bounds of the diamond theme and is inflicting harm on the country's investment policy. I

perceive in this the longing of those who have monopolized the markets for diamonds, weapons, oil and so on, to drive us out from among the competitors.

[Gurevich] I was recently in the RSA [Republic of South Africa] and I saw for myself that the De Beers company is a real empire and a very serious organization. Of course, it is better "not to fight" with it. Although, it can be said, we are in an equal position with it. And De Beers should not "fight" with Russia either. From my point of view, both partners understand this.

[Nikishov] At one time, as far as I know, you believed that the De Beers company was not dealing with us completely honestly. Has your point of view changed?

[Gurevich] There are no grounds for maintaining that we are being deceived in trading with De Beers. But we cannot assert that we are trading without losses for Russia. Unfortunately, we have no objective criteria for investigating this.

[Nikishov] But it is possible to control the prices for the Russian raw materials sold to the De Beers company with the help of the 5-percent cuts. According to the 1990 5-year, 95 percent of the Russian raw diamonds is supposed to be sold through De Beers' Central Sales Organization (TsSO), while we can sell the remaining 5 percent ourselves.

[Gurevich] Yes, we regard the 5-percent cuts as controls. Last year, we finally established certain things. We sold industrial diamonds, which are not covered under the limitations of the agreement with our South African partner. This batch was first offered to De Beers, but the company declined them. And we sold them to other partners at a much higher price than we could have sold them based on De Beers' price list.

The accusations made against us that a parallel diamond market is being thereby created are completely unfounded, inasmuch as the industrial diamonds, in terms of value, amount to a small portion of the overall sales of gem diamonds. Nevertheless, we have obtained access to the price-setting mechanism and have verified in practice to what extent the price-list price of our diamonds corresponds to the actual market price. And now we can extrapolate the results of the experiment with industrial raw materials to possible results with gemstone raw materials.

But we see the greatest problems as being not abroad, but rather, in our country. It is necessary to overcome the opposition of those who would not like to change the situation in the diamond industry, which took shape over decades, and to lose the opportunity to participate in the distribution. The Russian Federation Committee on Precious Metals and Precious Stones, the central organ for the regulation (but not the management) of relations in this sector, was given these functions in May of last year. Only after this did the possibility emerge of opposing the lobbying groups which are "wooing" the government and the president.

For the Good of All

[Nikishov] It has already been reported in the press that, at the present time, the government is examining an entire set of questions associated with diamond matters. Along what lines is the work proceeding and is it possible to talk about preliminary results?

[Gurevich] I can say that, for quite some time now, the government has been studying a broader question than the one which is being frequently raised in the press. This is the question of Russia's overall diamond strategy and policy in this area for the foreseeable future. And, as strange as it may sound, the problem of relations with the De Beers company, in my opinion, is not the main one here. Trade with De Beers is an obligatory measure and nothing more.

We have currently approached the examination of the diamond industry from a completely different perspective, based on the conviction that Russia may well become the world's fifth diamond center. The entire diamond world maintains that Russia should become one of these centers. Four currently exist—New York, Antwerp, Tel-Aviv and Bombay. All of them are large centers for the buying and selling of raw diamonds and their processing. For example, in Antwerp, the annual diamond turnover amounts to \$15 billion (importing and exporting is approximately half-and-half). And this is in the absence of actual mining. And, last year, through the Central Sales Organization in London, the Almaz Rossii-Sakha [Russia-Sakhalin Diamond] Company sold nearly \$1.2 billion worth of Russian diamonds.

[Nikishov] But developed consumer articles markets have long been established there. And this took years.

[Gurevich] But who is currently hindering us from seriously getting into this business? Whereas, previously, we set the task of just processing diamonds and selling cut diamonds, we now believe that it is necessary to build lapidary plants with the idea of inviting partners who have their own niche in the foreign market. Those who will place orders for enterprises and introduce jewelry of contemporary design. There are a great number of people who wish to operate in Russia now.

But, all the same, cut diamonds are just a semifinished product. But if this task is viewed on a broader scale? Let us go farther and also develop jewelry production together with gem-cutting. But let us go to the performance of this task from the market.

[Nikishov] Obviously, you have in mind the differentiation of incomes occurring in our country and, as a consequence, the increase in the class of people who are capable of buying expensive ornaments.

[Gurevich] I am certain that the capacity of the market for jewelry in Russia is sufficient for building serious social programs. Given a correct formulation of the matter, we can obtain serious revenues for the budget through the sale of jewelry.

[Nikishov] Is it possible to call this the second stage of the concept developed with your participation for the reorganization of the rough-and cut-diamond complex?

[Gurevich] It is possible. In the first stage, we set the task of preserving what we already have, in particular, the lapidary industry. And we have managed to do this. Last year, we reached newer frontiers in the use of the raw material (approximately \$100 million worth more of cut-diamonds were sold than in 1990).

New enterprises and joint ventures have appeared in our country. But also important are the qualitative changes. We have begun to cut raw material which was traditionally not cut in Russia but, for which, a large currency efficiency is being attained. These qualitative features also, without fail, entail quantitative changes with respect to an increase in sales of already finished cut diamonds.

In addition, the creation of new jobs in the sector will also contribute to the solving of social problems. Unfortunately, we do not currently have enough gem cutters. Approximately 12,000 people are employed in the sector, while there are about a million gem cutters in India. This industry has a low capital-output ratio and is rapidly beginning to produce a profit.

There is a possibility of establishing lapidary enterprises even in the VPK [military-industrial complex], where today, in view of the lack of orders, skilled personnel are standing around idle. The idea consists of employing the released sites and specialists. However, we will be trading with De Beers even after 1995.

[Nikishov] Can we consider the rough- and cut-diamond complex to now be on the threshold of substantial changes of both an internal sectorial nature and an external economic nature?

[Gurevich] We are not on the threshold of changes, but rather, we are in motion. In this connection, it is necessary to remember that work on the Arkhangelsk diamond field has started. At the beginning of this year, a license was finally issued to AO Severoalmaz [Northern Diamond Joint-Stock Company] for its pilot commercial development.

According to the predictions, this field should have a substantial impact on the future diamond market, because, based on their qualitative characteristics, the Arkhangelsk diamonds are better than the Yakut ones. The percentage of gem-quality diamonds and the amount of precious stones in the dirt are higher.

We are considering the possibilities for the broader use of scientific potential. Now, a large number of institutes are engaged in studying natural diamonds with specific properties. For example, there is a group of diamonds with a low nitrogen content. Some scientists believe that they will have a large future in the development of a new generation of computers. Such stones have a very high thermal conductivity, which substantially changes the

processors' parameters. This is much more serious than gem diamonds. And Russia has almost a monopoly on their supplies.

The Americans and the Japanese are working in this field and collaboration with them is possible.

The Idea Should Seize the Masses

[Gurevich] In order to coordinate all work associated with diamonds, we want to establish a Federal Diamond Center (FATs).

[Nikishov] This is what was being talked about back 2 years ago in connection with the development of the concept of the rough- and cut-diamond complex?

[Gurevich] Yes, the idea of establishing the center arose in connection with the need to control the sales of diamonds to the De Beers company. And it has now come back to us. What is needed is a large umbrella over everyone involved with diamonds. The Russian Federation Committee on Precious Metals and Precious Stones has submitted the appropriate proposals to the government. It is being proposed that the Federal Diamond Center be given the functions of coordinating all work, forming the corresponding information field and developing policy recommendations in this area.

[Nikishov] And how are your relations with the State Duma on this matter shaping up? Will the appropriate legal basis be prepared?

[Gurevich] I have already been in the Duma and tried to draw attention to this matter. We need to adopt a law on precious metals and precious stones. I believe that a draft of such a law will soon be submitted for the State Duma's consideration. And we will be happy if we find people there, who are also "taken" with diamonds. This is truly a fine, patriotic idea.

P.S.

De Beers' Revenues Are Growing

The world monopolist in the trading of rough diamonds, the De Beers company, recently reported an increase in its revenues in the past year by 21 percent. The profits of the company, which combines the South African De Beers Consolidated Mines, Ltd., and the Swedish De Beers Centenary AG, amounted in 1993 to \$595 million (\$491 million in 1992), which made it possible to increase the per-share dividend from 79.1 cents to 84.4 cents.

Named among the reasons for such a sharp rise in revenues are the record sales of rough diamonds and the renewed increase in sales in the diamond ornaments markets. As stated by De Beers Board Chairman Julian Ogilvy-Thompson, whose words are cited by the Reuters Agency, an increase in retail sales of jewelry ornaments with cut diamonds was noted first over the past 3 years.

He expressed the hope that the noticed trend would continue, provided the predictions for the growth of the world economy as a whole are proven correct.

Last year, \$4.37 billion worth of precious stones, which is 28 percent more than in 1992, were sold through De Beers' Central Sales Organization (TsSO) in London, which controls around 80 percent of the world sales of rough diamonds.

According to data from the Central Sales Organization's management, originally, the increase in the demand for jewelry ornaments with cut diamonds (by 7-9 percent on the whole) was noted in the United States, which is the largest sales market for these goods. But subsequently, an even greater increase in demand (by 15-16 percent on the whole) occurred in the countries of Southeast Asia. At the same time, a drop in sales volumes was noted in Europe.

Specialists are predicting an increase in the demand for jewelry ornaments with cut diamonds in Japan, South Korea, Thailand and Taiwan.

Sorry State of Nuclear Power Industry Finances Deplored

944E0606A Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Mar 94 p 1

[Article, under the rubric "Returning to What Has Been Printed": "Don't Be Surprised if Chernobyl Repeats Itself"]

[Text] In connection with an appeal made by workers from the "Novovoronezhatomenergoremont" production repair enterprise [PRP] to the president and government of the Russian Federation [RF] (see *RABOCHAYA TRIBUNA*, 22 February 1994), the "Rosenergoatom" concern, at the instruction of the Russian Minatom [Ministry of Atomic Energy], has informed our editors of the following:

Minatom and the "Rosenergoatom" concern are seriously concerned about the situation that has come about in the country's nuclear power complex.

As of 23 February 1994, the indebtedness to Russia's nuclear power stations for electrical energy supplied by the "YeES Rossiya" RAO (Russian joint-stock company) and the territorial energy systems totaled 409,812 million rubles [R].

This has led to the indebtedness of the nuclear power stations to their suppliers of fuel and material resources, to contractors, and to the budget of R341,183 million and has also led to rebuilding, modernizing, and technical re-equipping work on nuclear power stations being scaled back, which has had a negative effect on ensuring their safety.

There are delays of many months in the payment of wages, and programs for the socioeconomic development of collectives are not being implemented.

Taking into account the complex financial situation of the "Novovoronezhatomenergoremont" PRP, the "Rosenergoatom" concern has been systematically rendering the enterprise assistance.

At the initiative of Minatom and the "Rosenergoatom" concern, the RF government has made several decisions aimed at stabilizing the financial situation in the nuclear power complex; however, these have not improved the situation substantially. In the first two months of 1994, nuclear power stations were paid for only 25 percent of the electrical energy they supplied.

At the present time, the "Rosenergoatom" concern, along with the "YeES Rossiya" RAO, is striving to reduce indebtedness by means of the mutual cancellation of debts, the introduction of bill of exchange circulation, the payment of debts in the form of goods, and so on.

[Signed] Concern President Ye. N. Pozdyshev

With this letter, the concern's president, whom RAB-OCHAYA TRIBUNA editors thank for his attention to their publication, also sent six pages of appendixes. Especially interesting is appendix No. 3, "A List of Government Decisions on the Issue of Financial Provision for Nuclear Power Work." The list contains 12 decisions, and only one of them is marked: "Implemented."

What about the rest? Ominous formulations: "To ensure the immediate implementation, . . ." "Take immediate exhaustive measures. Report. Deadline 10 days," "Within a week's time, finish putting together and distributing financial funds. . . . Report to Russian government on implementation by 10 December." If, God forbid, a new Chernobyl ever comes crashing down, someone is going to use these notes to compose an entire story of how people tried to avert disaster. In conclusion, we will mention two documents.

Here is an instruction from the chairman of the RF government's Council of Ministers, V. S. Chernomyrdin, No. VCh-P14-41316, of 4 December 1993, to B. G. Fedorov, V. V. Gerashchenko, O. N. Soskovets, and Ye. T. Gaydar on a working memo from the first deputy head of the department of industry, O. S. Pushkareva, of 3 December 1993, no. P14-11-1133, "On the Emergency Situation in Russian Nuclear Power."

On the document is Fedorov's instruction to Gerashchenko: "Situation critical. I ask you to submit within three days' time proposals for stabilizing the financial situation in nuclear power."

Here is an instruction from the first deputy chairman of the RF government, O. N. Soskovets, of 22 January 1994, no. OS-P14-01786, on the subject of a letter from the Russian State Committee on Emergency Situations about the critical situation in nuclear power.

It is addressed to Minatom (to S. K. Dubinin), the Bank of Russia (V. I. Solovov), the Russian Ministry of Fuel and Energy (Mintopenergo) (V. N. Kostyukin), and

"YeES Rossiya" RAO (A. F. Dyakov). The words are more than alarming: "Multiple instructions from the government of the Russian Federation on this issue . . . have been systematically ignored, which is having a substantial effect on the safety of nuclear power stations. I ask you, in conjunction with Minatom and other interested organizations, to examine without delay the issues involved in the financial stabilization of nuclear power stations and to take effective measures."

The note on both documents reads: NOT IMPLEMENTED.

Aeroflot May Lose Leased Jets Over 50-Percent Import Tariff

MK2203132094 Moscow NEZAVISIMAYA GAZETA in Russian 22 Mar 94 p 2

[INTERFAX report under the "Aviation" rubric: "Aeroflot' May Lose Its Airbuses"]

[Text] The "Aeroflot" Russian International Airlines carrier may lose all its five A310-300 jumbo aircraft leased to Russia by European Airbus Industrie in early 1992.

Valeriy Eksuzian, general director of "Aeroflot's" affiliate company, "Russian Airlines," which operates the five aircraft, has told INTERFAX that "unless the government reaffirms its guarantees of 1991, the aircraft will have to be returned to a consortium of West European banks which is currently their owner."

The Russian Federation Government decree of 10 March 1994 "On Approving Import Customs Duty Rates" calls for a 50-percent import tariff on aircraft. At the same time, the five A310-300 were leased upon government authorization in 1991, and the leasing contract envisioned that the aircraft would be exempt from customs duties and value added tax.

According to the "Russian Airlines" company, any delays in or failure to make leasing payments will result in the Western partners' immediate move to ground the jumbo jets.

"This will result in our losing the international flights market worth \$100 million, which we are still being able to keep by providing services in line with international standards with the help of Airbus Industrie's aircraft," Yuriy Korenevskiy, Russian Federation deputy transport minister, said. In his words, "Aeroflot" will have to forgo the leasing of a new batch of four Boeing-767's.

The total value of the five A310-300's is \$350 million. Leasing payments in 1993 amounted to \$49 million. In 1993, the A310-300's carried 350,792 passengers and around 5,500 tonnes of cargo.

Shipyard Activities Reported

944E0598A St. Petersburg SUDOSTROYENIYE
in Russian No 10, Oct 93 pp 43-47

[Reports prepared by A.N. Khaustov: "At the Shipyards"]

[Text]

Almaz Shipbuilding Company

The Almaz Shipbuilding Company in St. Petersburg, under contract to the Morskiye Sistemy Sukhogo Joint-Stock Company, has begun construction of the prototype of a series of passenger vessels with a small waterplane area (SMPV)—the first ship of this type in domestic shipbuilding. The Agat Design Enterprise drew up the technical design (A-4) in 1992. The work documentation is specified for total completion in the 3d quarter of 1993.

Basic Elements and Statistics

Overall length, m—32.5
Overall width, m—11
Board depth, m—5.6
Draft, m—2.2
Displacement along summer load mark, t—139
Deadweight, t—24
Payload, t—17
Passenger capacity, persons—186
Speed, knots—25-29

The choice of the company to build the first SMPV with all-welded hull and superstructures made of high-strength aluminum-magnesium alloys was not a random one. For more than one decade, the enterprise has specialized in building naval ships and special ships with dynamic support principles, in particular, surface-effect vessels with steel and AMg-alloy hulls. Some of the naval ships built have no analogs with respect to performance and structure in domestic shipbuilding and even in the world.

The new passenger ship, developed in accordance with the conversion program, is distinguished by its irregular contours, particularly those of the subsurface hulls, powerful main power unit with Z-shaped drive to two engines, unique system of reversing the ship and moderation of pitching. There are many new, non-traditional engineering designs in the structure of the SMPV. The passengers are ensured comfort when the sea conditions are five points on the scale.

Among the suppliers of the ship's basic engineering equipment, gear and finishing and building elements are such well-known firms as MTU (FRG)—main engines; Sperry Marine (United States)—complete control system; NPO [Scientific Production Association] imeni N.Ya. Klimov—angle reduction gears; ANTK imeni A.N. Tupolev—passenger lounge equipment.

The collective of engineers and specialists of the Almaz company, headed by A.P. Korolev, general director, has confidence in the successful development of the prototype ship, and in the future, of series construction of various modifications of the SMPV. (Yu.N. Peresvetov).

Krasnoye Sormovo Yard Production Association

On 13 March of this year, the plant launched the next cargo motorship of the "river-sea" type, the Volga. This ship, ordered by the Roschart Company, has been named Myskhako.

The Sormovo workers are planning to broaden the export of their ships. These are, mainly, ships of the Volga type, with a cargo capacity of 4,000/5,500 t, of the Nizhniy Novgorod type (or Ni NO-3000, design 19611), with an average cargo capacity of 3,000 t, and the Rossiya type (design 17310) with a cargo capacity of 2,000/3,000 t. The set of documents for these ships was turned over for expert examination to the specialists of Det Norske Veritas classification society, to ensure that the export orders conform to the maximum to Western standards. On the whole, the ship meets the basic requirements of foreign shipowners and supervisory bodies. Motorships of the Volga type, however, for example, were marked by a relatively low level of automated ship control, and a large crew; the radio-navigation equipment is not up to the mark and some materials not recommended in the West (asbestos-containing) are used.

In the process of negotiations with the Norwegian firms, the possibility of supplying other ships, including tankers, was discussed.

Yaroslavl Shipyard

The search for solvent buyers has been the yard's main problem recently. The yard often has to develop new ships at its own expense, since the traditional buyers often find themselves insolvent on the financial plane. Because of this, fishing trawlers, usually supplied to domestic enterprises, are increasingly often shipped overseas. For example, a contract was concluded with an Egyptian firm to build six freezer seine-trawlers from the modernized design 503. Alexandria will be the port of registry of the first one of them.

Severnoye Machine Building Enterprise Production Association

The association carried out 357 measures of the re-equipment plan in 1992. As a result, labor input was reduced by 562,000 norm-hrs, and the level of manual labor was reduced to 34.1 percent. Among the most important measures carried out are preparation to put into operation a new three-roll sheet-bending machine with a laser device, development of a completely mechanized line and a new press to face the boards of cabinet-type furniture with veneer, and installation and development of nine new digitally controlled metal-cutting machine tools.

The following were included among the next tasks to improve production in 1993: developing a water-screen for the gas cutting of rolled sheet metal in hull-machining production, equipping the steel-smelting furnaces with hydro-gas-purifying systems, developing a unit to purify oven gases to melt glass, converting forging furnaces from mazut to gas, rebuilding the thermal subdivision for instrument production, etc. At the same time, conserving fuel, power and material resources and solving ecological problems are also priority goals.

Perm Kama Shipyard

The plant is mastering the building of small freezer shrimp trawlers (design 13307). They are designed to catch tropical shrimp with beam trawls and fish with a deep-sea trawl, using a stern trawling system, and also with a purse seine and a cone net, using electric light. The catch is frozen in horizontal-slab devices and an air-freezing locker. The trawlers are designed at the Kiev Leninskaya Kuznitsa Central Design Bureau, and are built to Registry class KM "Star" 1AZ (fishing).

Basic Elements and Statistics

Overall length, m—27
Width, m—7.6
Board depth, m—3.7
Draft along load mark, m—3.05
Displacement, t—314
Cruising capacity, days—20
Speed, knots—10.5
Crew, persons—6

A 6VD 18/16 AL-2 diesel with 450 kW power is used as the main engine.

Aksay Fleet REB [Repair-Operations Base]

The Aksay Repair-Operations Base of the river fleet, located in Aksay, in Rostov Oblast, is planning to begin building river-sea type cargo ships. The technical-economic substantiation for rebuilding and expanding the enterprise was made with the participation of the Hamburg firm, Blohm and Voss. It will take about 150 million German Marks, with a recovery period of 8-12 years, to put the project into effect. The possibility of building at least seven Sormovskiy type motorships a year is specified. Moreover, only the ship hulls will be formed, and their equipment and outfitting is to be carried out with the resources of two other enterprises at Rostov-on-Don—the RIF Joint-Stock Company and Krasnyy Don. In addition, major ship repair work is planned. In particular, the Volga-Don Shipping Company AO [Joint-Stock Company] is interested in the realization of this project, and has already invested certain funds in modernizing the enterprise. In the near future, the Aksay Fleet REB will become a joint-stock company, and some of its shares will be offered to the investors to go toward clearing off the loan.

Neva Planning-Design Bureau

One of the conversion projects of this bureau is a medium-sized freezer-longliner trawler (design 13010). The ship is designed to fish with deep-sea and bottom trawls, as well as with a ground line. The fish-processing equipment provides the output of frozen cut-up fish products, including filets, and ground fish for feed. The ship class is KM "Star" L2AZ (fishing).

The main power unit is a single-shaft, two-machine diesel-reduction unit based on 6Ch N22/24 diesels with 2X973 kW. Two shaft-driven generators (2X630 kW) and a diesel-generator (350 kW) are also stipulated. The variable-pitch screw (196 rpm) is 2.8 m in diameter. The bow thruster has 135 kW power. The set of commercial devices for trawl fishing will be Russian-Norwegian-made (RossNor Joint-Stock Company). The cargo system includes a hydraulic crane (1.8 t with an 8-meter radius) and two cargo booms, 3.2 t each. The refrigeration equipment consists of four compressor units, ensuring a temperature of -28°C in the holds, and three horizontal-slab freezer units with a total productivity of 36 t/day. A series of ships of this design is to be built for Russian buyers at the Zvezdochka Machine Building Enterprise in Severodvinsk.

Basic Elements and Characteristics

Length, m
 overall—53.3
 between perpendiculars—46.2
Width, m—12.6
Board depth to main deck/upper deck, m— 5.3/7.8
Cargo draft, m—4.7
Displacement (T = 4.7 m), t—1800
Cargo hold volume, m³—620
Cruising capacity, days—30
Number of bunks—32
Speed, knots—12.4

Chernomorskiy Shipyard

Because the yard has stopped building heavy aircraft-carrying cruisers, problems have arisen with the work load of a number of production shops, and because of this, the idea is being discussed of organizing a ship-building concern in Nikolayev, which would include the Chernomorskiy Shipyard, the Shipyard imeni 61 Kommunar and the Okean Shipyard. This would make it possible to load their shops more uniformly, accordingly redistributing the orders for performing work done, for example, on manufacturing hull structures or producing machine building items. This concern would also have its own bank. It is possible that scientific institutions, UkrNIITS, for example, might join this association. In jointly solving, under mutually advantageous conditions, the problems facing the enterprises, the participants in this sort of association must at the same time retain financial independence and bear the responsibility for the results of their work.

Almaz TsMKB [Central Marine Design Bureau]

The Almaz Central Marine Design Bureau, within the framework of its conversion, has drawn up a design for a high-speed surface-effect skeg-type passenger-motor vehicle ferry, tentatively named the Mistral. The ship was created on the basis of the missile boat, Sivuch (NATO code name—Dergach).

Basic Elements and Specifications

Overall length, m—65
Width, m—18
Draft, m—3.3/1
Deadweight, t—220
Power, main engine, kW—36,700
Speed, knots—up to 45
Cruising range, miles—400

The ferry can take on board 352 passengers and 67 motor vehicles. The sea-keeping qualities are ensured at sea waves up to 6 points.

In addition to this ship, export versions, based on this design, of missile, anti-submarine and patrol ships, as well as Coast Guard ships, have been developed. Their total displacement is 750-850 t, maximum speed 45 knots, cruising range under displacement conditions—2,000 miles, and on air cushion—500 miles.

Kherson Shipbuilding Association

The next Arctic supply ship of the Ivan Papanin type will sail under the Chinese flag. The "christening" of the new ship, which was named Snow Dragon, took place in April of this year. This ship—the first of this type in the Chinese People's Republic—will be used for Antarctic expeditions. Construction of the next supply ship has continued at the building berth. Its name and the port of registry have not yet been determined.

During approximately the same period, the association laid the keel of a new tanker-products-carrier. This ship differs somewhat from the preceding series of tankers with a deadweight of 28,000 t, through the reduced capacity of the cargo tanks (board depth of the preceding tankers was 3 m more). Other wishes of buyers, particularly those from Norway, have also been taken into consideration.

Chaykovskiy Fleet REB

The Chaykovskiy Repair-Operations Base of the river fleet (city of Chaykovskiy, Perm Oblast) is planning to build, in 1993-1994, pusher-tugs with 440 kW power, using Design No 81172 of the Sudostroyeniye Design Bureau Scientific Production Association. These river ships (River Registry class "O," ice) are designed to push dry-cargo consists and bulk barges with a total cargo capacity of up to 5,000 t, as well as to tow rafts and barges.

Basic Elements and Statistics

Overall length, m—34.4
Overall width, m—10.3
Board depth, m—2.7
Draft, m—1.4
Surface clearance, m—12.45
Tractive force (8 km/hr), kN—68.5
Cruising capacity, days—10
Crew, persons—12

Three variations of the tug have been worked out, depending on the type of towing and coupling devices used. The means of automation used on the ship provides the possibility of the power unit operating without a constant watch in the engine room.

Shipyard imeni 61 Kommunar

In accordance with a Ukrainian government decision, this yard will undergo 100-percent conversion. The shipyard, founded over 200 years ago especially to build the Russian Naval Fleet, has already cut back the volumes of building new naval ships from 80 to 20 percent. Finishing work and repair is being carried out for a number of buyers. At the same time, the financial capital promised by the government to convert production to the output of civilian ships and to modernize it is being withheld. The situation with respect to supplies of completing equipment, and the introduction of Ukraine's own currency—the karbovanets—have become difficult. After all, the yard obtains up to 80 percent of ship mechanisms, devices and instruments, as well as materials, from Russia. Nevertheless, the yard is expanding the program for the output of products for civilian purposes. A new design of transport refrigerator is being built, and contacts with new buyers, including foreign ones, are being developed.

Feodosiya More Production Association

The enterprise has begun series construction of three types of sea-going passenger hydrofoils. The prototype SPK [hydrofoil], Voskhod-2M, was launched at the beginning of January this year. Ten months passed from the laying of its keel in the building berth to its launching. According to some estimates, in a few years the association will be able to produce up to ten of these ships a year.

Another prototype SPK, the Olimpiya, was launched on the eve of 1993. While it took about two years to build this ship, series SPK of this type should be built at quadruple the rate. At the beginning of the year the keels were laid in the building berth for four SPK of the Olimpiya type. Diesels from the German MTU firm were installed on them as the main engine.

After the successful operation of the prototype double-deck gas-turbine-powered Tsiklon on the Tallinn-Helsinki line, it was decided to continue building ships of this type, but in a modernized version. The keel was laid for the Tsiklon-M SPK on 18 December 1992.

Okean Shipyard

The yard has begun construction of a prototype ship with a deadweight of about 8,000 t, with a horizontal cargo-processing method. This roller, for mixed sailing, is 140 m long and 16 m wide, and has a board depth of 8 m. The two main diesels, turning the two screw propellers, make it possible for it to get up to a speed of 13.5 knots. Wheel-and-track equipment will be loaded and unloaded along a cargo ramp. The ship is also suitable to transport international standard containers, both in the holds and on the upper deck. It is built on the order of the Ukrainian Delta Scientific Production Corporation. The Okean Shipyard is developing ships of this type for the first time, and they will replace the small fish-factory bases in the building berths, after the last ship of that series is turned over.

Sever Production Association

Screw propellers are among the types of goods produced by the Sever Production Association. To raise the quality of the screws, designed particularly for hydrofoils, specialists of the St. Petersburg State Marine Technology University, by order of this Production Association, are carrying out research and experimental work on using a theodolite-computer system to measure the geometrical parameters of the screws being produced by the association's specialized subdivision. The ultimate goal of the work is to increase the precision of the measurements, and optimize the technology of the marking-out and control operations.

The enterprise has begun series production of P1-PKV crystallizers—special devices to intensify the process of sugar crystallization. The use of these devices will make it possible to increase the production of the prepared product at sugar plants, at the same time simplifying the procedure for controlling the manufacturing process.

The Arkhangelsk Oblast Council of the Shipbuilding Scientific Technical Association imeni Academician A.N. Krylov, summed up the results of a competition for the best work on mechanizing and improving manufacturing processes. The following works by association specialists were commended with honorary diplomas: "An Automated System for Producing a Set of Planning-Engineering Documents, Based on a Local Personal Computer Network" (E.S. Khandanyats), "Remote Control of Power and Heating Pump Stations" (P.A. Marin, Yu.M. Kotsov, V.O. Levshin), "A Stand for Testing Automatic Devices of the Elektron Series" (I.K. Chekrygin, Ye.F. Yermolin, V.A. Shilnikov), "Introduction of an MRN 340-01 Contact Machine for Group Projection Welding of Wire Screens" (V.I. Sergevnnin, V.Ye. Sherstnev, G.G. Golyakov), "Modernization of the Gripping Mechanism of an M10P.62.01 Industrial Robot, Included as Part of an RTK [Robot-Technology Complex]" (A.V. Popov, V.M. Pozdeyev).

Vint Scientific Production Association

One of the latest works of the association's specialists is developing the structure of an active water-jet-type rudder (ARV). This rudder is designed for installation on transport, passenger, fishing and other vessels, in order to increase maneuverability in forward and reverse motion, and also to provide low speed for the ship when the main engine is switched off. The ARV is distinguished by increased reliability and ecological safety, which are ensured by the degree to which the working element is protected against mechanical damage and auto-rotation, and by eliminating from the design seals, angle gearing or a submerged electric motor in the sea space, characteristic of traditional active rudder systems.

Specifications of Three ARV Type-Sizes

Power consumption, kW	30	47	95
Diameter of rotor, m	0.3	0.31	0.54
Rotational speed of rotor shaft, rpm	1,475	1,450	975
Traction on mooring lines, kN	4.9	7.0	15.0

When the ARV is in operation, the water enters through notches in the side surfaces of the rudder blade, or at the ends of it, to an axial or centrifugal pump. The appropriate driving force is created by the reaction of the jet of water ejected through a nozzle in the stern edges of the rudder blade. An experimental model of an ARV with 47 kW power has now been developed to fit type SRT fishing boats.

Monolit Central Design Bureau

This design bureau, located in Gorodets, in Nizhegorod Oblast, is the leading organization in shipbuilding in the field of designing ships with reinforced concrete hulls, floating repair, transport and launching docks, floating and floating-stand berths for various purposes, floating workshops, floating restaurants and hotels, and other vessels.

The basic advantages of ships with a reinforced concrete hull include low metal-intensity and construction cost, low operating costs (no dry-docking and painting required when in operation), good durability and simple repair.

The following ships are now being series-built at various enterprises from designs of the Monolit Central Design Bureau Joint-Stock Company: floating composite and metal repair docks with a load capacity of 5,000 t (including those for docking ships of the fishing industry fleet), floating workshops with a reinforced concrete hull, floating berths, metal and reinforced concrete, 154 and 108 m long, berthside pontoons, and floating cranes with a load capacity of 5 t.

Specialists of the Central Design Bureau are also producing designs for dimensional modernization of docks, and are preparing the documentation to provide marine communications for ships running along inland waterways.

PeterGaz Joint Venture

This Dutch-Russian joint venture (partners—Kheerema Oil and Gas Development and the Gas Industry) will design and build an underwater gas pipeline through Baydaratskaya Bay, which will connect the large gas deposits of Yamal with the main West Siberian gas pipeline. The 70-km underwater section of the route will include eight pipelines (1.22 m in diameter each), along which 170 billion m³ of natural gas a year can be transported. The first two pipelines, worth \$570 million, should be laid by 1996, and the last of them is planned to be put into operation in the year 2005. A number of Russian firms will be drawn in to carry out the marine part of the project. Work will be done under exceptionally difficult natural conditions. Suffice to say that Baydaratskaya Bay, located beyond the Arctic circle, is ice-free for a maximum of 100 days a year. The total cost of the project is estimated at several billion dollars.

The materials used in the reports were from the newspapers SUDOSTROITEL, OKEAN, MORE, VODNYI TRANSPORT, KORABEL, TRUDOVAYA VAKHTA, KRASNYY SORMOVICH and others, as well as from publicity brochures and materials given to the editors by enterprises and organizations.

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AutoVAZ Director Outlines Hardships, Plans

944K0932A Moscow ARGUMENTY I FAKTY
in Russian No 12, Mar 94 p 5

[Interview with V. Kadannikov, general director of the AvtoVAZ Joint-Stock Company, by correspondent N. Mogzharetto: "VAZ—For Us Or Not About Us? One Million People Work at VAZ"]

[Text] *In recent years it seems that we have adjusted to everything, but still the new prices introduced for the Zhiguli in December are staggering. Here we have already passed up the Opel and Chrysler in terms of cost and we are catching up with the Mercedes. Apparently, finding no buyers for their products, the automotive plant stood idle during all of January and only in February did it produce its first motor vehicle. During these days our correspondent N. Mogzharetto met with the general director of the AvtoVAZ Joint-Stock Company, V. Kadannikov.*

[Kadannikov] The situation at the automotive plant is the same as it is throughout all of industry and throughout our entire economy. Because of the shortage of batching materials and items and nonpayments it was necessary to shut the plant down for a month. Plus a lot of work for repairing equipment and readjusting it for the Desyatka had accumulated. The collective went to

work on 1 February and since that time it has been fulfilling its very tight schedule each day.

Now about the plant's development. It is simply impossible to imagine an automotive company that never updates its products. But to put a new motor vehicle on the conveyor takes \$2-2.5 billion. Today there are no centralized sources but, unfortunately, there is also nothing to take their place. Therefore we created the All-Russian Automotive Alliance, whose main task is to put a new motor vehicle into production. And we are speaking about a completely new model—the VAZ-1116. It will be a five-door "hatchback" which is suitable for conditions in the city and at the same time is high-speed (the experimental model which I have seen reminds one a little of the well-known Italian vehicle Fiat-Tipo.—I.M.)

[Mogzharetto] And the Desyatka—will it come into being?

[Kadannikov] Approximately 70 percent of the investments have been made in the "2110" family and series production will begin at the end of the year. During 1995 we plan to reach our projected capacities and at the same time gradually phase out our oldest motor vehicle, the VAZ-2106. The VAZ-2105, -07, -04, -08, -09, the Niva and the Oka will remain, but they will be thoroughly modernized. For example, we have already begun to make a longer five-door version of the Niva. Moreover, we are in negotiations with the General Motors firm concerning the production of a model of the Opel-Course in Tolyatti.

The Desyatka family itself consists of three motor vehicles: the VAZ-2110 sedan itself, the VAZ-2111—with a "hatchback" body, and the 2112—"universal." There are several versions of the engine: the conventional carburetor engine with a capacity of 1.5 liters, the modernized one with a capacity of 1.7 liters, and the new injection engine with 16 valves.

[Mogzharetto] It is very nice that under conditions of economic crisis you are putting a new model on the conveyor. But, excuse me, why is it needed if the price of even the old one has exceeded all possible bounds? Moreover, our vehicle costs less, say, in France, than it does in Russia.

[Kadannikov] Our whole life is to blame for the fact that we are selling vehicles at that price. Last year prices of materials and batching items rose on average 6.63-fold, and the motor vehicle prices—4.2-fold.

If you compare the prices of the Zhiguli there and here, taking into account our exchange rate of the ruble to the dollar, it turns out that they are higher here. Because the exchange rate itself does not reflect the actual relationship between the ruble and the dollar. There, of course, our Desyatka will not cost \$10,000, but that is not because the price is different but because the dollar relative to the ruble is different. The ruble's actual buying power relative to the dollar is about 1.5 times

less, and the government is maintaining this exchange rate artificially. Additionally, in a number of cases our prices really do turn out to be higher than in the West, if only because many of our plants are operating like social security organizations.

[Mogzharetto] And that is why you "put so much pressure" on our government that effective next year it will introduce monstrous duties on foreign brands. Because it turned out that it was cheaper to buy a new Opel or Renault than a Desyatka.

[Kadannikov] All the mass media are accusing me of causing that—introducing these taxes, lobbying the government, etc. I can say—cross my heart—that neither I nor any of the members of our board had anything to do with that decree. It is an ordinary fiscal law generated in the bosom of the Ministry of Finance, and the taxes that are planned will go not for the development of the domestic automotive industry but for purposes unknown to me.

I think it would be impossible to abolish the importation of motor vehicles into Russia. At the present time we have approximately 15 million passenger cars in operation in the country. Our entire industry produces 900,000 motor vehicles a year, of which 300,000 are sold abroad. Thus it would take us 25 years to replace the fleet of motor vehicles. This is impossible, no motor vehicle runs that long. And if we do not ship in foreign brands our fleet will become extremely "obsolete," which will lead to accidents, deaths, pollution of the environment, etc. In many places the replacement of the automotive fleet is financed directly by the state. For example, in Greece, where motor vehicles are not produced, three years ago the government decided to allot a very large amount of money—and everyone who sold an old motor vehicle could buy a new one from the state with preferential credit. As a result, the automotive fleet was updated in a short period of time.

There is no country that would not protect its producers with import taxes. There are protective measures like this that are worse than ours—in some places more intelligent, in some places less so. But if we are to speak seriously about the market and are concerned about our citizens, we must not raise the question of banning the importation of foreign makes. And we must work on the domestic market as we work on the foreign market, under conditions of competition. To me that is the natural course of events.

[Mogzharetto] Is it true that after the regular price increase the plant was overstocked with Zhigulis and they would not sell?

[Kadannikov] No, that is not true. There are 1,500 motor vehicles on the lot and it might seem to someone on the outside that the plant has overstocked. But that, excuse me, is a half day's output. But, naturally, the sales level declines after each price increase. When we raise prices everyone is in shock for a month or two. But then the demand levels out. [end Kadannikov]

FROM THE EDITORS. We turned the floor over to V. Kadannikov—this is his viewpoint. But there are also others—for example, according to certain information, it was namely the leaders of the LogoVAZ Joint-Stock Company, V. Berezovskiy and V. Kadannikov, who actively "put their minds" to getting new customs duties introduced. Thus they are trying to attract foreign investments to the domestic automotive industry. But the investments (if there are any) will produce a return five years from now, while the Russians need an inexpensive motor vehicle today....

Plant Director on Decreased Vehicle Prices, Sales Policy

944E0607A Moscow TRUD in Russian 22 Mar 94
Night Edition p 7

[Interview with A. Krasnenker, LogoVAZ director, by Yu. Skidanov: "Why Ladas Are Cheaper: Encountering Market Laws, LogoVAZ Chooses New Priorities"]

[Text] While everything else has been getting more expensive, LogoVAZ declared a price reduction on its automobiles made at the Volga Motor Vehicle Plant (VAZ). A month has passed since then. Has this pricing policy been vindicated, given the situation of galloping inflation? Responding to this question is the director of LogoVAZ for the Zhiguli, Aleksandr Krasnenker.

[Krasnenker] The February price reduction had a tangible economic effect: today we are selling about 100 automobiles per day. This was the choice: either drive up prices for VAZes sky high and take our income from the sale of 15-20 automobiles a day, or else win at the expense of large turnover, selling automobiles at relatively affordable prices. We chose the latter. And we weren't wrong. LogoVAZ is selling about 30,000 automobiles a year, which is equal to about 10 percent of VAZ's production program for the countries of the former Union. We have offices operating in more than 20 cities of the CIS—Moscow, St. Petersburg, Bishkek. . .

[TRUD] Nevertheless, currency prices for Zhigulis and Ladas are quite high.

[Krasnenker] That depends on what you compare them to. If you buy an automobile from just anyone at a used car lot or at some dubious street outlet, you are scarcely safeguarded against all the various troubles you might have. Unfortunately, virtually everything connected with automobiles here is thickly overgrown with crime. Purchasing a car from LogoVAZ eliminates very many of the most likely troubles you might have.

People know that. I will list only some of the benefits to our buyers. First of all, our cars come with an 18-month factory warranty. We guarantee complete security for our clients. It is no secret, after all, that if you get a new automobile from some middleman, you might barely be out of the parking spot when you fall into the hands of thugs acting in collusion. Furthermore, we can provide

delivery of a car to virtually any point in the CIS, and if an enterprise or commercial structure purchases a good-sized lot of cars, we can offer a discount of up to \$1000 per vehicle.

[TRUD] Recently I spent some time at the Honda factories in Japan and was interested there in how they work with clients. Simple things amazed me: the buyer is always right. They love him. And they emphasize this in all sorts of ways, starting with a cup of coffee while they are discussing the purchase of one make of automobile or other and ending with advice about what upholstery to choose for the interior. Why doesn't it work like this here? Is it because LogoVAZ has a virtual monopoly on the sale of automobiles and you are not stimulated by healthy competition?

[Krasnenker] We're doing fine as far as competition goes, I assure you. There are dozens of small firms trading in Volga motor vehicles. But people come to us. Why? Because for the same money we offer many advantages in the purchase of an automobile. I'm not going to talk about coffee, like at Honda, but here, for example, following the example of Western leaders, we are learning how to do custom work, gaining in quality of service, maximal good will toward the customer, and our ability to solve his problems. When you buy an automobile you can order, "without walking away from the cashier," additional equipment, an anti-theft device, anti-corrosion treatment, car cassette-radio, and so on. If you live, let's say, in Bishkek, again, then you can buy any model VAZ through your local LogoVAZ office. They will get it to you within an agreed-upon length of time. This is the system for custom work.

Moreover, LogoVAZ specialists continue to pay attention to the car you buy even after the sale, unlike, say, the so-called re-export models. Think about the way people used to buy automobiles: once you had driven out of the gates, no one cared about your problems anymore. Should a serious defect be uncovered immediately after the purchase of the car, LogoVAZ makes an effort to resolve these problems without additional payment. You see, the time has passed when people bought automobiles indiscriminately, following the principle, "Thank God I got it." Now there is choice; the automobile market is well saturated. The only way you can be successful is by improving service.

[TRUD] Or "lobbying," for instance. Let us recall the recent introduction of draconian duties on imported automobiles.

[Krasnenker] Some people would really like to ascribe that service to the VAZ structures. But let's reason logically. LogoVAZ sells more than just Zhigulis; we have plenty of other lines as well—Volvo, Mercedes, Honda, used foreign makes, and so forth. Therefore, the new duties raised definite problems around the sale of those automobiles. Taking these circumstances into account, it is hard to see your suggestions as convincing. Moreover, VAZ automobiles don't need that kind of

protection on the domestic market. Yes, you can find many advantages to foreign models. But for our roads, for our oil and gasoline, Ladas are better adapted. A VAZ can be repaired in virtually any city in Russia or the CIS, and any driver can give advice even on the highway about how to take care of a problem. With foreign makes, you'll agree, this is somewhat harder to do.

[TRUD] We know that the auto industry in Russia, and AvtoVAZ in particular, are not experiencing the best of times. Nor is it any secret that investment in the development of transportation is highly profitable. This is obviously why the state, through the Aeroflot bank, has directed 1.7 trillion credit rubles into the reconstruction of the Moscow airports and updating air transport. Would this kind of policy be justified with respect to automobile building?

[Krasnenker] Certainly. It could achieve a long-term economic effect. LogoVAZ and especially the Zhiguli management are operating on a commercial basis, so we rely on our own forces. We are interested in improving quality and updating models for VAZ automobiles. For this to happen regularly takes extensive investments. Naturally, as world experience shows, these expenditures are repaid with interest, allowing, apart from everything else, for an update in technology and production all along the chain of plants that tie in to the production of an automobile. This means dozens of major enterprises. It is just this kind of approach that has the right to be called an economically regulated policy. I think that sooner or later the manager of state credits is going to reach a similar conclusion. It would be good for this to happen sooner, though. After all, the rate at which Zhigulis are bought up is very high; demand for this make is not falling.

The telephone numbers for the LogoVAZ showroom in Moscow are 249-00-51, 546-07-80, and 140-52-31.

Railway Collegium on 'Nearly Critical' Financial Situation

944E0618A Moscow GUDOK in Russian 15 Mar 94 p 1

[Report on MPS [Ministry of Railways] Collegium meeting and selector conference by N. Davydov: "The Railroads' Financial Condition Is Nearly Critical"]

[Text] The economic situation in railroad transportation in the January-March period is cause for alarm. A program for stabilizing the sector's work was outlined at the expanded collegium in December. It was based on optimistic government forecasts which predicted the production decline would be about 5 percent in the first quarter. And railroad employees handled their transactions accordingly.

However, in the first 2 months of this year, the volume of freight shipped dropped by 21.2 percent compared with the same period in 1993. And the reserves which should have been put into use in such a situation essentially

were not even defined clearly enough. The most important economic levers such as marketing, advertising, differentiated rates, contracts with clients, and so forth turned out to be very poorly adapted. Although they could have at least reduced the harmful effect of the plummeting decline in shipment volumes.

As Minister of Railways G.M. Fadeyev emphasized in his statements at the collegium, **the sector's financial condition is nearly critical. For the first time in recent years, the January results were unprofitable.** We are just about to sum up the February results, but it can already be said that losses of about 150 billion rubles [R] are expected. It is precisely for this reason that it has become necessary to discuss the situation at a special collegium session and to define the tasks for each administration in the ministry in order to reduce operating expenditures and look for additional incomes.

The report by Deputy Minister I.S. Besedin contained a detailed analysis of the losses which caused credit indebtedness to increase by R800 billion and debit indebtedness to increase by R400 billion by mid-March. In his opinion, the wage increase and the disparity between the operating work force and the work being performed are responsible for the largest proportion of costs. According to data from the VNIIZhT [All-Russian Railroad Transport Scientific Research Institute], there are about 103,000 unneeded employees in the sector, mostly in the Locomotives and Railcars administrations.

The speaker noted that a problem of no less importance is the unwarranted failure to accept shipments in the transport plan. Some 25 million metric tons of freight were not included in the plans of the Moscow, Kemerovo, Southeastern, Northern, and other railroads in the January-March period. Although there are 40 million metric tons of finished products remaining at enterprises. This attests to the fact that the railroads are not working with clients satisfactorily.

The report contained convincing data that the operating rolling stock—locomotives and railcars—far exceeds the number needed for the reduced transport volumes. In a number of regions, there is an unreasonable "race" of railcars, and many classification yards are making use of less than 50 percent of their capacities. As a whole, the losses attributable to inefficiency amount to about R400 billion.

There is no denying that after the report and the minister's address, many administration managers turned out to be in an unenviable position. After all, they were not required to give an account of the work performed, but to make specific proposals on how to make up for the January-February losses in March. That is, there should be measures to produce a result by tomorrow.

If the statements made by managers of the Locomotives, Railcars, Passenger, and Lines main administrations are viewed from this high standard, none of their suggestions will produce an immediate tangible return. Neither reducing the volume of locomotive and railcar repair,

putting them in extended retirement, making more efficient use of passenger rolling stock, or extending the range of use of old materials in the track superstructure will produce the needed gain in such a brief period of time.

However, there were no "discoveries" in most of the other speeches, either. Acknowledgment that unneeded locomotives and railcars are being operated in the system (and these are huge material losses) was accompanied by the statement that some time is needed "to work out standards and guidelines and to find jobs for the people being dismissed." Proposals were made to toughen responsibility for exceeding the wage fund, to adjust wages for inefficient lines, to aim the bonus system not at fulfillment of volume indicators, but at increasing transport operations, and so forth. But once again, a considerable amount of time is needed to realize all this.

Perhaps what is hampering us most is the habit of depending on broad support, always counting on the state's help, said V.F. Pryadko, chief of the Finances Administration. But under the current conditions, it is time to say farewell to this and other things. The principal indicator of any enterprise now is its solvency. And for us to stop operating at a loss, we have to save R75 billion in all administrations during March.

However, it is very hard to accomplish this. Shippers' indebtedness for transportation service has already reached R1.7 trillion. And this is with the payments of R900 billion since the beginning of the year. But problems with wage payments continue to be unresolved in a number of regions, since only one-third of the earnings are in cash.

Nearly everyone who spoke at the collegium touched upon the problem of settlements with railroad administrations of the CIS member states in one way or another. It was suggested that, inasmuch as Russia exports much more than it imports, it should switch to international principles in railcar use: the owner of a railcar should pay to operate on foreign territory. Otherwise, they say, we will always be in debt. Of course, the crossing points must be properly maintained for this. Generally speaking, we must seek to ship as much as possible in Russian territory, in spite of the circuitous routes.

I. A. Shinkevich, chairman of the trade union central committee, also expressed serious concern about the situation that has developed. In his opinion, many of the managers in local areas assume that it is up to the Ministry of Railways to find a way out of the crisis, and they are not doing anything themselves. Although the main questions—the work force and wages—are within their competence.

No one has a clear idea of what reserves exist.

As we see, most of the questions discussed in the collegium related to the interests of the entire system,

and it was completely logical to hold a selector conference on the following day in order to quickly bring the collegium's decree to the attention of the managers of railroads and divisions and to exchange ideas on the most important problems of the day.

For those gathered in offices of the railroads and divisions, the speech by First Deputy Minister O.A. Moshenko certainly conveyed, in concentrated form, the sector leaders' preoccupation with the financial and economic situation that has taken shape. The top-priority task for every railroad and every enterprise is to bring expenditures into conformity with the existing transportation volumes. There are many things hampering this work, he said, and the impression is sometimes created that operations work is falling outside individual managers' field of vision. Quite a few examples were cited to confirm this.

In the stabilization program outlined by the December collegium, it was planned to increase locomotive productivity by 2.8 percent, but it decreased by more than 4 percent. It was a similar picture with railcar productivity, their empty runs, and a number of other indicators.

The first deputy minister called upon railroad managers to make corrections in their plans outlined in December in conformity with this collegium's decree. And first of all, to take a good look at the dead end sidings and inefficient routes to see whether it is time to close them in some places. A no less important reserve is the consolidation of divisions. The October Railroad put forward this initiative. But the employment program should be into effect completely, as outlined by the December collegium.

Judging by the statements made in the selector conference of managers of the Northern, Moscow, and Gorkiy railroads, the local areas are no less concerned about the situation that has developed and they are also trying to overcome the negative trends. There were also interesting approaches in resolving individual problems. V.M. Predybaylov, chief of the Northern Railroad, does not believe that all the unprofitable sidings and inefficient routes should be stopped, since they can be put into the category of approach lines in some places.

"It is unclear why the Gorkiy Railroad must hold its refrigerated railcar fleet in reserve," said the chief of the railroad, O.Kh. Sharadze. "When units come in from other areas, we are forced to unload them as quickly as possible. Clients would like to lease them, but there haven't been any here."

Incidentally, when the communications link was disconnected, one of the persons present noted: "It would be well worth while for Sharadze to read a little. He has had all the information needed on his desk since morning—a full picture of the railroad's operation." One automatically wondered whether that was why the Gorkiy Railroad was cited more than once in the collegium and the

selector conference as a negative example with respect to operating or financial indicators.

This was only the beginning of the large amount of work to be done to bring Russia's railroad transport out of the extremely difficult situation. Tomorrow, 16 March, managers of the Transbaykal Railroad will come to Moscow. The next day, representatives of the October Railroad will come, and so forth. Together with the administration managers, the ministry will examine the situation on each railroad and work out recommendations for its specific conditions. Only after this will they be assured that the steps worked out jointly will produce the desired effect.

South Urals Railroad Chief Critiques Performance

944E0618B Moscow GUDOK in Russian 15 Mar 94 p 2

[Interview with Ivan Pavlovich Vorobyev, chief of the South Urals Railroad, by V. Mikushin: "We Are Relying on Ourselves"]

[Text] Chelyabinsk—Several railroad managers have already spoken in GUDOK about the results of work last year and the beginning of this year, and analyzed results of the meeting between railroad employees and V. Chernomyrdin, the head of government. Our discussion on this topic today is with Ivan Pavlovich Vorobyev, chief of the South Urals Railroad.

[Vorobyev] I will not repeat what has been said by my colleagues from other mainlines, but the situation in transport is really very serious. And this is directly linked with the overall economic crisis not only in Russia, but the CIS countries as well. I realize that the government and the parliament want very much to stabilize the economic situation in the country, but alas, there are no opportunities—primarily financial opportunities—for this. Last year we were given roughly 20 percent of the state subsidies needed. Judging by the results of the past 2 months, we cannot receive this now, either.

[Mikushin] It appears that the government is counting on all sectors of the national economy to support themselves, including railroad transport.

[Vorobyev] That is true to a certain extent. But I also know that the process of determining the most important and promising sectors which require state investments (and which are profitable for the country) is being continued. I do not think the government will leave the railroads without support.

[Mikushin] What kind of specific assistance do you expect from the top?

[Vorobyev] I have never believed that the ministry should be "milked" endlessly: give, they say, give here and give there... We can earn for ourselves, as the results of last year show. But the picture changed drastically beginning in November: the increase in federal and local taxes instantaneously "consumed" all our profit, more

than 60 percent of which we gave to the budgets. Essentially, the state put the hen that lays golden eggs on starvation rations.

All of us, both railroad workers and our clients, are being squeezed by nonpayments. We are owed about 120 billion rubles [R]. And we owe nearly R90 billion. It appears that the final result is in our favor, but what kind of benefit is this, and who benefits from it? Let us take the land tax as an example. Last year we paid about R70 billion for this. But why so much, we ask, if part of the transport service is unprofitable for us? We are meeting the local authorities halfway, but they are demanding more and more new deductions for their budget, at times without any consideration for the problems facing railroad workers.

[Mikushin] Ivan Pavlovich, would it not be better in this case to shut down a number of unpromising routes? Even if only to avoid losses. Then let the persons managing the oblasts and rayons decide whether they need the services of the railroad or not.

[Vorobyev] I have had the same thought many times. Let us take the 200-kilometer Berdush-Druzhinino route. A pair of freight trains and the same number of passenger trains use this route daily. The same situation applies on the Miass-Uchaly section, where the daily traffic consists of just 30 railcars. On the railroad as a whole, there are about 1,500 kilometers of such unprofitable routes. Without receiving any incomes, we are still compelled to keep hundreds of people, locomotives, and railcars there and maintain service. Based on market conditions, routes such as these should be closed. But another question arises: what is to happen in this case to the people living in the towns, settlements, and villages along the mainline, where there is practically no other form of transportation? So we must think hard before making such a decision.

And a few more words about taxes. The regions which have acquired a certain amount of economic independence are setting rent, as an example, for the same land that is called "from the lantern." In Kurgan we are paying the local budget R50 per square meter, in Magnitogorsk we are paying R27, in Beloretsk (Bashkiria) R10, and in Samara just R1 for the same area. Tell me, please, is there any logic here? What basis are the local authorities using in setting the prices for land?

I will not dwell on the problems of passenger service, since my colleagues have already written about them sufficiently in GUDOK. I agree fully with their conclusions that losses cannot be covered just by raising the price of a ticket. This deprives us of competitiveness with other forms of transportation. I will stress once again: we need subsidies here both from the state (for long distances) and the local budgets—for suburban services. This is being done in all civilized countries, incidentally.

[Mikushin] And just how do we resolve the nonpayment problem? By waiting for appropriate government decisions and the granting of credits?

[Vorobyev] I have already stated. The minister does not have a bottomless pocket. We can and should earn for ourselves. As an example, this is the second year the railroad has been using the system of mutual credits, when a client settles accounts with us for transportation service with his products—metal scrap, lumber, machine tools, machinery, consumer goods, produce, and the like. We use some of these products for our own purposes, and some we sell at a profit for us through commercial structures.

Another way is by developing subsidiary and ancillary activity. Over the past 2 months we have received over an additional R8 billion through this activity alone. You will agree this is a substantial addition. So Kurgan built its own construction shop at the locomotive depot, where they are turning out reinforced concrete collars for shafts, which are in high demand. In the Zlatoust and Orsk divisions, subunits of civil construction services have put flow lines into operation to make a special beam used in building cottages and garden houses. There is heavy demand for this material, especially since the buildings made with it are resistant to cold and heat and are fireproof.

[Mikushin] Since we have mentioned construction, tell us how work in this area is proceeding on the railroad.

[Vorobyev] I will proudly note that we hold the leading position in this indicator among Russian railroads. It is sufficient to say that last year we commissioned about 150,000 square meters of housing, which is substantially above the plan. The best results were achieved in the Kurgan, Chelyabinsk, and Orsk divisions. But housing construction in Orenburg has been cut back for several years, and the lines for apartments are increasing every year. I think the division managers are chiefly to blame for this. Now the question is: whether to cut back housing construction or to enlist railroad employees' personal funds for this. Unfortunately, there is no other way.

[Mikushin] Ivan Pavlovich, our railroad has suddenly become a border railroad. Has this had an effect on the transportation process?

[Vorobyev] Unquestionably it has. Six border crossings have already been established here, and each one has its own customhouse. Naturally, this has entailed changes in technology: additional structures are being established to receive freight and keep a record of railcar crossings. But the Petropavlovsk Division has turned out to be in another state's territory. Calculations are not made in rubles there, but Kazakh (tenge), which creates certain problems. Settlements are conducted at the existing exchange rate. We are trying to maintain businesslike, neighborly relations with Kazakhstan. I do not think it is

in their or our interests to disrupt the operation of the Transsib and Turksib [branches of the Trans-Siberian Mainline].

The same may be said about refrigerated shipments, whose volume has been reduced by more than 30 percent. Previously, many dozens of our refrigerated units were found on railroads in the Transcaucasus and Central Asia. Today they are being returned in large numbers to their point of registration—the Troitsk Depot. We want to preserve at least some of them.

[Mikushin] All the same, Ivan Pavlovich, will the railroad survive under such extraordinary conditions?

[Vorobyev] The conditions are really extraordinary. I will cite just one example. Previously the Chelyabinsk Pipe Rolling Plant unloaded 350 railcars per day. Today it unloads only 60. We used to give the "Uraltrak" Association 200 empty cars every day. Now it uses only two cars. And the same situation exists at most enterprises in the Urals. Incomes are falling, of course. But we do not plan to cut back either production or social programs. And it becomes very annoying when the local authorities put spokes in our wheels even in such an extremely difficult situation. For example, a very zealous property management committee from Miass, where there is a combined motor vehicle and rail terminal, is suddenly putting it up for auction after deciding to sell it to private interests. Why have the people in Miass suddenly forgotten that the railroad built the terminal with its own resources and funds?

I direct our specialists' attention to the fact that they cannot remain idle in the situation today. They have to think about how and where to earn something additional and how to maintain high discipline on the railroad. Take the periods for paying wages, for example. The Kurgan and Petropavlovsk divisions are issuing money without delays, seeking every opportunity for this. But in Orsk, Zlatoust, and Kartaly, wage payments are being held up.

All the same, I look to the future with optimism. The recession cannot continue forever. I hope the government will finally find a way out of the crisis.

Railroad Transport Users' Association Created

944E0620A Moscow GUDOK in Russian 16 Mar 94 p 2

[Document: "The Concept of Creating A Railroad Transport Users' Association"]

[Text]

1. Status of the Association

The voluntary public noncommercial organization is a legal person.

2. Goals of Activity:

Rendering all-round assistance to members of the Association in increasing the efficiency of railroad transport and the transport service of basic production;

Increasing the information and competence of the directors and specialists of Association member enterprises, as well as citizens, on the problems of economic-legal regulation of railroad transport;

Drawing the attention of the Government, legislative power, the press and society to the problems of efficient interaction, with respect to transporting freight and passengers, between federal railroad transport and the users of its services;

Having the organs of legislative and executive authority pass acts, documents and statutes which take into consideration the legal rights and interests of freight consignors, consignees and passengers. Passing acts, documents and statutes which disregard these interests is impermissible.

3. Directions of Activity:

The basic directions in the Association's activity are:

Developing relations of cooperation and mutual assistance between enterprises and member-citizens of the Association in the matter of increasing transport efficiency along railroads;

Setting up relationships of equal partnership and productive interaction between the enterprises and member-citizens of the Association, on the one hand, and enterprises and railroad transport bodies, on the other.

For successful achievement of tasks in these directions, the Association will:

Obtain, process and analyze legislative normative, scientific-technical, legal, economic and other information in the sphere of railroad transport in Russia and abroad, for subsequent dissemination among the members of the Association;

Draw up (by order of the Association members or in accordance with an initiative procedure) documents ensuring the effective defense, by enterprises and member-citizens of the Association, of their legal rights and interests;

Draw up (by order of the Association members or in accordance with an initiative procedure) economic recommendations for enterprises and member-citizens of the Association, directed toward increasing the efficiency of their interaction with railroad transport;

Publish, in the press and on radio and television, materials revealing the positions of Association members on various economic and legal problems, including drafts and legislative and normative acts on federal, regional and local conditions;

Defend, in government, economic, legal, law-and-order bodies, as well as bodies of local state power, the legislative rights and interests of enterprises and member-citizens of the Association in the sphere of railroad transport;

Prepare drafts of intersectorial agreements by sectors included in the Association as well as agreements with federal railroad transport, on problems of interaction in various spheres of activity (tariffs, station development, repair of rolling stock and the tractive consist, joint reserving of throughput and traffic capacities, insurance for commercial risks, etc.).

In addition to those named, the Association can also engage in other activity that is not forbidden by law and normative documents regulating the activity of public organizations.

4. The Association's Methods of Work:

Regular meetings and exchange of opinions with workers of the RF Government, ministries and departments and legislative bodies, with elucidation of the Association's position on specific problems (meetings, conferences, joint assemblies, seminars, symposiums, etc.);

Preparation and dissemination, in the press and on radio and television, of press-releases, statements, memorandums, etc.;

Holding briefings, press-conferences, and so forth, and carrying out measures;

Holding zonal and federal conferences of directors and specialists of the Association's enterprises and member-citizens;

Individual consultations and discussions by order of Association members;

Organization of territorial mutual support groups of enterprise-users of railroad transport of various sectors of industry (local associations);

Constant interaction between sectorial and transport scientific research institutes, design bureaus, and similar organizations, as well as worker collectives, and legislative and normative acts related to railroad transport problems;

Constant interaction with representatives of ministries (Economics, Justice, Transport, Railways), of the Highest Court of Arbitration, railroad administrations and other organs of authority and administration, in order to explain the Association's position and obtain the necessary information;

Constant interaction with parties and trade unions in order to work out joint positions on problems of interest to the Association;

The activity of the Association should be planned.

5. The Financial Basis of the Association:

As a voluntary public organization, the Association should exist on the dues of its members and the aid of sponsors;

The pay for members of the Association who perform work at its order can be reckoned as dues to finance its activity;

Research and development done in the interests of Association members can be performed through the resources of an extra-budgetary fund to support sectorial and intersectorial research;

Measures making it possible to bring in income (conferences, seminars, consultations, etc.) should not stipulate profitability;

Through withholdings from the economic effect formed at the Association member-enterprises as the result of carrying out the measures prepared by it, funds can be formed to finance research, information, publishing and other types of activity specified by the Association's Charter.

6. Direction of the Association and Its Structure:

Strategic direction of the Association and control over its activity is implemented by a Council, formed by the founders' conference from among the most prestigious specialists—transport workers, lawyers, economists, journalists and political and public figures.

The following may enter the Council:

- Enterprise directors
- Bank directors
- Sectorial stock exchange directors
- Departmental directors (of Roskommetallurgiya, Roslesprom, Rosugol, etc.)
- Local administrative directors
- Representatives of political parties and public organizations
- Trade Union representatives
- Newspaper editors

An executive board of directors, headed by a General Director, carries out direct guidance of the Association's work.

Local territorial associations (branches), set up by agreement with Association members located on the given territory, should be the basic unit in the Association's structure.

The executive board of directors and local associations conclude time contracts with the specialists needed to perform the basic work (analysis and transmission of information, preparation of articles, etc., publications, drawing up documents and recommendations, etc.).

The executive board of directors and local associations have independent budgets, are legal persons and interact on the basis of contracts on joint action.

The Association can found independent structures (funds, scientific-information centers, specialized firms, etc.), which further an efficient solution to its basic problems, particularly through developing new rolling stock and improving that being produced, developing

other technical devices for general use and also through repairing and rebuilding them, solving problems of safety and ecology in railroad transport, organizing a general system of accounting for expenditures and the movement of material resources, etc.

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